

Executive Decision Report

REVENUE BUDGET MONITORING 2012/13 – OUTTURN

Decision to be taken by: City Mayor

Decision Date: 22nd July 2013

Lead director: Alison Greenhill

Overview Select Committee: 22nd August 2013



City Mayor

Useful information

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

1. Summary

The context to the Council's spending in 2012/13 is an extremely difficult financial climate. 2012/13 is in the middle of the current Spending Review period, in which government funding will reduce by around 30% over 4 years. The budget planned for substantial savings to be achieved from departmental budgets.

In this context, it is very pleasing to report that all departments have managed their budgets well, and delivered services within their budgets (with one exception, which has overspent by 0.3%). More concerning, however, is that a number of planned savings have slipped, requiring budgets to be balanced with one-off savings. Clearly, this position is not sustainable beyond the short-term, and there is a need to deliver the outstanding savings as expeditiously as possible.

Traditionally, the Council has provided departments with cash limited budgets, supported by corporate provisions for expenditure which is expected to change, or is volatile. These sums have then been allocated during the course of the year. Continued financial restraint is forcing the Council to re-evaluate this policy, and require departments to manage more fully within their own resources. Indeed the budget strategy for 2013/14 provides for the cessation of most budget uplifts for non-pay inflation from 2015/16. As part of this approach, and given the good overall performance of departmental budget management in 2012/13, corporate budgets have been tightly managed, sums held centrally only allocated where absolutely essential, and savings generated on corporate expenditure at every opportunity. As a consequence, and as reported earlier in the year, there have been significant savings in corporate budgets.

2. Recommendations

2.1 The Executive is recommended to:

- Note the outturn position detailed in the report;
- Note that the original planned contribution to the budget from reserves is no longer required and approve the alternative use of this sum set out in Appendix B, Section 21
- Approve the creation of a new reserve for Highcross commuted sums as set out in Appendix D
- Approve the proposed carry forward of divisional savings as set out in Appendix E

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 2012/13 was £278.1m. Divisional underspends from 2012-13 totalling £3m were transferred to divisional reserves in order to meet specific future objectives.

Appendix A summarises the performance of General Fund services against the final budget.

Appendix B provides more detailed commentary..

Appendix C provides more detail on the savings targets included in the 2012-13 budget and the performance against these during the year

Appendix D provides background detail on the Council's earmarked reserves, details the movements in reserve balances during the year and details the creation of new reserves for which approval is required

Appendix E details the proposed carry forward of departmental underspends (and the reasons for these)

4. Details of Scrutiny

The Overview and Select Committee will be asked to consider the overall position presented in this report and make any observations it sees fit.

5. Financial, legal and other implications

5.1 Financial & Legal implications

This report is solely concerned with financial issues.

Alison Greenhill, Director of Finance, Ext 29 7401

5.3 Climate Change and Carbon Reduction implications

This report is solely concerned with financial issues.

5.4 Equality Impact Assessment

No Equality Impact Assessment (EIA) has been carried out as this is not applicable to a budget monitoring report. A full EIA was undertaken when setting the 2012/13 budget.

5.5 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.

6. Background information and other papers.

Report to Council on the 22nd February 2012 on the General Fund revenue budget 2012-13

7. Summary of appendices:

Appendix A – Outturn - Budget Monitoring Summary;

Appendix B – Outturn Divisional Narrative – Explanation of Variances;

Appendix C – Savings Target Performance;

Appendix D – General and Earmarked Reserves – year end summary & new requests;

Appendix E – Divisional underspends – Proposals to transfer to 2013/14

8. Is this a private report?

No

9. Is this a “key decision”?

No

10. If a key decision please explain reason

N/A

GENERAL FUND REVENUE BUDGET

BUDGET MONITORING SUMMARY 2012/13 - OUTTURN

	Revised Budget for Year	Actuals at Outturn	Forecast Variance over (under) spend
	£000	£000	£000
Finance	7,838	7,501	(338)
Human Resources & Workforce Development	5,331	4,722	(609)
Information & Customer Access	10,937	10,737	(200)
Delivery Communications & Political Governance	9,758	8,476	(1,282)
Legal Coronial & Registrars	2,049	2,300	251
Corporate Resources and Support	35,912	33,734	(2,178)
City Centre	0	0	0
Environmental & Enforcement Services	25,401	25,398	(3)
Culture & Neighbourhood Services	16,084	15,076	(1,008)
Planning, Transportation & Economic Development	22,884	22,869	(15)
Property Services	7,737	8,958	1,221
City Development and Neighbourhoods	72,107	72,301	195
Adult Social Care & Safeguarding	55,715	55,757	41
Care Services & Commissioning	28,003	27,465	(539)
Housing	1,777	1,707	(70)
Adult Social Care, Health and Housing	85,496	84,928	(568)
Childrens Social Care & Safeguarding	34,423	34,423	0
Learning Services	4,701	3,778	(923)
Young Peoples Services	12,450	12,450	(1)
Children's Services	51,574	50,650	(923)
Housing Benefits (Client Payments)	528	114	(414)
Total Operational	245,616	241,728	(3,888)
Miscellaneous	21,883	14,967	(6,917)
Capital Financing	20,948	20,459	(489)
Total Corporate Budgets	42,831	35,425	(7,405)
Net Recharges	(2,944)	(3,598)	(654)
Use of Reserves	(7,423)	0	7,423
TOTAL GENERAL FUND	278,079	273,555	(4,524)

Outturn Divisional Narrative – Explanation of Variances

Corporate Resources and Support

1. Finance

- 1.1. The division achieved savings of £338k largely due to holding vacant posts and to adopting a more flexible approach to working, particularly across accountancy teams allowing staff resources to be directed to areas of high demand.
- 1.2. Following the divisional review undertaken as part of the support services transformation programme (achieving a saving of £1.2m), the division has increasingly adopted generic job descriptions and career grades which has allowed a much more flexible approach to filling vacancies and supporting secondments in order to develop and grow our own talent.
- 1.3. Going forward, the division has a further saving of £650k to achieve by 2014-15. Business transformation programmes are already well underway, however in order to achieve further savings some infrastructure investment, particularly in IT, is required within areas of the service. As such, it is proposed to carry forward this underspend divisionally to self-finance any one-off transformational costs.

2. Human Resources & Workforce Development

- 2.1. The HR Service underspent by £609k, mainly due to vacancies from a managed underspend strategy in the latter half of the year. It is proposed to carry this forward to deal with budget pressures in 2013-14, specifically likely slippage in delivering the current review of HR staffing due to extended consultations.

3. Information & Customer Access

- 3.1. The division achieved an underspend of £200k, due to efficiencies (e.g. procurement savings and voluntary redundancies) and hard to fill vacancies.
- 3.2. It is proposed to carry forward the underspend to offset the costs associated with the significant delay to the Lync project, which has meant that the on-going savings from the cancellation of centrex telephony charges will take longer than planned to deliver.

4. Delivery Communications & Political Governance

- 4.1. The Divisional underspend of £1,282k is largely due to vacancies being held pending reviews of several functions including Partnerships, Planning & Performance, Portfolio Management & Organisational Improvement, Marketing & Communications and Democratic Services. All these reviews are now complete, which ensures the divisional

savings target for 2013/14 has been met. It is proposed to carry forward £300k of the underspend to offset potential additional costs in 2013/14 and 2014/15, such as the on-going effects of the corporate administration review. Of the remaining balance of £982k, It is proposed to use £251k to fund the overspend in Legal & Coronial Services and divide the remaining £731k equally between a contribution to the Strategic Initiatives reserve and the General Fund.

5. Legal Coronial & Registrars

- 5.1. Legal, Registration and Coronial Services show an overspend of £251k for 2012/13.
- 5.2. £51k relates to the Coroner's office and includes operational costs that could not have been anticipated. £100k relates to the savings target for the Legal Services Review, which will now be implemented in 2013/14. A further £100k relates to a reduction in requests to support capital programme work from client departments when compared to activity in previous years. Much of this has been replaced by non-traded/general funded work and the remainder has been factored into the Legal Services Review.
- 5.3. The overspend will be met from elsewhere in the departmental budget as detailed in section 4.1.

City Development and Neighbourhoods

6. Overall Summary

- 6.1. The CDN Department achieved an outturn slightly over its budget of £72.1m. The key variances were within the Culture and Neighbourhood Services Division, which underspent by £1m due to a strong performance at DeMontfort Hall and savings on budgets held by the Divisional Director; and an overspend of £1m in the Property Services Division, due to income shortfalls and additional costs across the investment properties portfolio and lower than planned fees income from capital projects. The latter had been largely anticipated and managed over the year. The overspend of £192k will be met from the divisional reserve.

7. Environmental and Enforcement Services

- 7.1. The Division underspent by £3k, with a net spend of £25.4m.
- 7.2. Income from Bereavement Services in total was £3.06m, exceeding the budget by £19k. Gilroes Crematorium has undergone a £4m capital package of improvements, involving the replacement of old equipment with new cremators and pollution control equipment to comply with new national legislation. Refurbishments and improvements have been made to the facilities in both of Gilroes Crematorium's chapels, and new office accommodation installed for the city council's Bereavement Services team.

- 7.3. The Parks service broke even for the year with expenditure of £5.7m. Improvements have been introduced to football pitch stock to support the Football Investment strategy and the new club house facilities, which has been recognised by our partners within the Football Association and teams. The Parks service has been awarded 9 Green Flags, the national quality standard which recognises continuous improvements.
- 7.4. Building control income continued to decline further in 2012/13 with a shortfall of £120k. This is part of a trend resulting from the general economic environment and the effect of increased competition in this area from private providers. Savings on staffing and running costs were made meaning that the service as a whole only overspent by £12k (5%) of the budget.
- 7.5. The Licensing service underspent by £87k after funding the Vehicle testing station to the sum of £219k. The Vehicle Testing Station started operation in July 2012, and carries out two compliance checks each year on all hackney carriages and private hire vehicles licensed by the City Council. Testing of taxis is now also carried out on behalf of Oadby & Wigston Borough Council. The outturn reflects the fact that all development costs, including remodelling and renovation of the Council owned building and installation of vehicle testing equipment were met from within the Licensing budget. The testing station is also approved by VoSA to carry out public MOTs and promotion will be undertaken to expand this area of work with the aim of making the operation entirely self-financing.

8. Culture and Neighbourhood Services

- 8.1. The Culture and Neighbourhood Services division underspent by just over £1m on a net budget of £16.1m, due to a strong financial performance at DeMontfort Hall and savings on budgets held by the Divisional Director.
- 8.2. DeMontfort Hall produced a strong financial performance allowing a reduction of £640k in the level of subsidy. A strong and popular programme realised increased ticket sales income of £1.4m compared to budget. The Christmas show (Grease) was particularly successful, earning £300k more than the previous year's show. The additional income was also offset by some additional costs incurred in the course of generating it. A continued focus on negotiating favourable terms with promoters also helped.
- 8.3. Sports Services broke even with a net spend of £3.0m. However, the fees and charges budget (£5.3m) is proving difficult to achieve as actual income fails to keep pace with inflation and the effects of the difficult economic climate are felt; and additionally, bad weather in 2012 adversely impacted golf courses income generation. The total income shortfall against budget was £624k. The service overall broke even by savings on running costs and by curtailing other expenditure such as planned repairs and

maintenance. A review of the budget is taking place, with a view to returning all budget lines to a sustainable footing.

- 8.4. Libraries Services trading income budgeted at £111k is declining as patterns of usage change, a deficit of £38k was offset by planned savings within the Service.
- 8.5. The budget held by the Divisional Director gave rise to savings of £354k from vacant posts and service related budgets. This budget is to be allocated to service areas in 2013/14 as part of the divisional realignment of budgets exercise.
- 8.6. The Culture and Neighbourhood Services Division supported and delivered a programme of high profile events and activities during 2012, including the Olympic torch relay, Paralympic torch relay, sports and cultural activities for the Olympics including the popular “Ping” table tennis programme, the Queen’s Diamond Jubilee celebrations, roll out of public access Wi-Fi and the replacement of public computers in Libraries. In addition, a Heritage programme was developed including activity related to the exciting discovery of the remains of King Richard III.

9. Planning, Transportation & Economic Development

- 9.1. The Division fully spent its net revenue budget of £22.9m.
- 9.2. The cost of concessionary fares was £9.5m, generating a saving of over £600k, largely due to lower volume than was forecast – this is in a context of overspends in most recent years. The total subsidy for the three park and ride services provided jointly by the City and County was £524k. The City Council’s share of this was £262k compared to a budget of £337k. Although usage is improving, the main reason for savings was the additional income from the letting of excess parking spaces to businesses at the Enderby site and the associated reduction in business rates payable.
- 9.3. Street parking fee income of £1.8m in 2012/13 was similar to last year. The value of parking fines issued, however, has reduced significantly with income of £1.05m - 18% less than last year’s income of £1.25m. This reduction in parking fee income continues a recent trend.
- 9.4. The overall surplus from the on street parking operation after running costs are deducted was £1.3m. The surplus parking and fine income is used to fund subsidised bus routes and contributes to funding concessionary fare costs.
- 9.5. Bus lane enforcement was introduced on Causeway lane and Rutland Street, which delivered an increase in fine income of £764k compared to a budget of £200k.

- 9.6. The increased income from bus lane enforcement supported a managed delay in the budgeted reduction in subsidies of £0.7m for specific bus routes. The delay resulted in a budget shortfall of £0.4m but this was offset by the bus lane enforcement income and afforded greater time for planning and consultation on the changes to bus route subsidies.
- 9.7. Revenue expenditure on highways maintenance of £7.3m was £37k under budget. The winter maintenance budget overspent by £138k due to the severe and lengthy winter period, gritting was carried out on 74 separate days using 3,192 tonnes of rock salt. This overspend was offset by £119k of savings relating to the street lighting energy reduction project, which started installing LED energy saving lanterns in February 2013. Approximately 800 lanterns were installed in 2012/13, which will reduce maintenance as well as energy costs. 11,000 units are expected to be installed in 2013/14. There were additional minor underspends in other areas.
- 9.8. Planning income was up by £96k on a budget of just over £1m due to a number of large applications being received, including Building Schools for the Future. This additional income is likely to be one-off in nature.
- 9.9. Ross Walk Leicester Business Centre did not achieve its £300k income target by £91k, due to reduced occupancy levels, but there were significant overhead savings and the budget overall was overspent by just £3k.
- 9.10. The division contributed £0.8m to capital including paying £0.4m in respect of both financing and repayment of prudential borrowing for the Street Lighting energy reduction project.
- 9.11. The resources division had a net spend of £1.3m, of which the largest element was £470k spent on city centre management and tourism/marketing. The budget had a small underspend of £15k.

10. Property Services

- 10.1. As reported earlier in the year, the division has struggled to achieve its savings targets and has overspent by over £1.2m on a budget of £7.7m.
- 10.2. The division in 2012/13 had a savings target of £2.2m; savings of circa £1.4m were sought through a restructuring, the centralisation of the budgets for fees on maintenance work and reductions in business rates. The sum of £0.7m was transferred from corporate funds as a contribution to the savings, as a planned one-off for 2012/13 only – the divisional overspend of £1.2m includes this reserve transfer.
- 10.3. The investment properties portfolio overspent by around £0.9m. It under-recovered its income by £0.4m compared to the budget, in part due to the current economic

climate. Expenditure on the portfolio was also £0.5m more than budgeted due to fire risks compliance works and additional maintenance and cleaning costs.

- 10.4. Internal fees relating to capital projects under-recovered by £0.7m, in part due to delays in the finalisation of the schools capital programme. The Centrally Located Admin Buildings budget (CLABS) overspent by £0.3m as a result of one off costs in trying to accommodate various urgent moves and taking on new CLABS buildings including York House.
- 10.5. These overspends were partly offset by underspends in other areas. Fleet services underspent by £0.5m due to savings on maintenance costs, one off income and delaying the replacement of vehicles where the current fleet remains serviceable. The Central Maintenance Fund also underspent by £423k.
- 10.6. The Division is subject to further savings in 2013/14 and a further review of operations across the Division is underway. The budget for the division has been restructured and work is in hand to ensure that a balanced position is achieved in future years.

Adult Social Care, Health and Housing

11. Adult Social Care & Safeguarding

- 11.1. The Adult Social Care and Safeguarding Division had a small overspend of £41k on a budget of £55.7m. Within this budget there were, however, some major variations.
- 11.2. The fee levels for the provision of external residential care have yet to be fully settled with providers but costs amounting to an additional £1m over the budgeted level have been accounted for at the year end.
- 11.3. This overspend is offset by the receipt of unbudgeted one-off Winter Pressures funding of £500k received late in the year. Also additional expenditure on re-ablement of £600k was held back during the year while a review of the services is undertaken and efficiencies are secured.

12. Care Services & Commissioning

- 12.1. The Care Services and Commissioning Division had an underspend of £539k on a budget of £28m.
- 12.2. £1.23m of government funding for joint working for 12/13 was not committed on additional projects pending a review of the overall funding position for adult social care and this has been used to maintain the current level of service to users.
- 12.3. There was an overspend of £500k in the council's Elderly Persons Homes mainly as a result of the use of agency staff; partly to cover for sickness absence and vacancies.

13. Housing Strategy & Options

- 13.1. The Housing Strategy and Options Division has a gross budget of £10.9m and net budget of £1.777m. Expenditure in the year was £1.707m resulting in a small underspend of £70k. The underspend was driven by a reduction in the bad debt provision which produced a one-off saving of £68k. There were other minor variances.
- 13.2. It is recommended that the £70k underspend is transferred to the Housing General Reserve to be used to contribute to the future budget pressures arising from the homelessness review taking longer than anticipated.

Education and Children's Services

14. Summary

- 14.1. The Department had a net underspend for the year of £0.9m against a final budget of £51.57m. The underspend was in the Learning Services division.
- 14.2. The main issues in the year related to the continued increase in numbers of looked after children and referrals to children's social care, difficulties and delays in completing the 0-19 commissioning review together with the uncertainty of the impact on Learning Services of the school funding reforms.

15. Children's Social Care & Safeguarding

- 15.1. During the year the number of children in care peaked at 549. The year end numbers of looked after children (LAC) were 522 compared with 525 last year. The costs of externally provided residential placements and foster placements together with our own foster provision was £10.1m, £1.5m higher than budget. The annual rate of increase in this cost has slowed with expenditure in 2011/12 £9.8m and in 2010/11 £8.2m.
- 15.2. The number of referrals to children's social care has continued to increase this year and the numbers of children subject to child protection plans stand at approximately 500. There was a significant increase in costs for Section 17 payments to parents with children in need, translation costs for non- English speaking families, Higher Education fees for those children who have left care and transport.
- 15.3. The net overspend for the Division was £1.4m and this has been financed using grant underspends from previous years ring-fenced in anticipation of the continued increase in LAC numbers. The 2013/14 budget proposals include a growth of £1.2m to address the increased LAC numbers.
- 15.4. The divisional budget savings target of £0.325m has been achieved apart from the savings of £30k related to the closure of the Hill View office which has been delayed partly as a result of the 0-19 commissioning review.

16. Young Peoples Services

- 16.1. The division had a small overspend of £0.2m (against a budget of £29.1m) prior to transfers from reserves. The overspend related to the former Connexions service parts of which have now transferred into the Council. A reserve was set up in 2011/12 to cover any transitional and closure costs and £0.2m of this has been used to offset the overspend. As a result the division broke even for the year.
- 16.2. Young People's services had target budget savings in 2012/13 of £5.3m of which £3.4m have been achieved. There have been delays in progressing the remaining budget savings totalling £1.9m which include the 0-19 Commissioning Review (£1m), the changes to the provision of careers advice and guidance (£0.2m) the management review (£0.2m) and changes to the Home to School transport arrangements (£0.5m).
- 16.3. The public consultation on the 0-19 Commissioning review was completed in June and the principles of the review agreed by the Executive in July. As a result of this non-priority services with an annual budget of nearly £1.5m will stop although there were only savings of £0.2m last year. Work is on-going to reduce the expenditure on the remaining services in scope and will complete in 2013. The management review will also now be completed in 2013.
- 16.4. The shortfall in savings has been found from underspends in other areas of the division. Posts have been held vacant in the year pending the outcome of the commissioning review and pending further necessary downsizing following the significant reduction in the Early Intervention Grant from 2013/14.
- 16.5. The Council's responsibility to provide careers advice and guidance has reduced significantly from 1 April 2012 and the budget included savings associated with this from 1 September 2012. A new careers advice contract was tendered, however there was only one qualified bid which the Council has declined. As a result the Council is now providing the service in-house with relevant staff transferred from Connexions to the Council in October 2012. An organisational review completed at the end of the financial year which will reduce the staffing to meet the new service budget in 2013-14.
- 16.6. As a result of having to bring the service in-house only £1m of the £1.2m saving target was achieved. A closure and transitional cost reserve set up in 2011/12 has been used to cover this savings shortfall.

17. Learning Services

- 17.1. The division had a net underspend of £0.9m. There was considerable uncertainty during the year about a number of issues including the future level of Dedicated Schools Grant (DSG) available for the division as a result of school funding reforms with up to £0.6m at risk. This £0.6m is spent by Learning Services on specific

improvement projects for targeted groups. From 2013/14 DSG funding must be substantially delegated to schools directly and this includes the £0.6m mentioned above. Schools Forum can and did agree that this funding be 'de-delegated' (i.e. passed back from schools to the local authority), however this only happened late in the financial year.

- 17.2. There was also uncertainty until the DfE and DCLG finally confirmed the arrangements for the reduction in Local Authority Central Spend Equivalent Grant (LACSEG) in relation to academies. There will be an effective cut in the budget available for Learning Services of £0.34m from 2013/14.
- 17.3. As a result of these uncertainties the service has held off making decisions on a number of vacant posts in anticipation of having to make significant savings next year. This together with further savings in the Disabled Children's Services and in Educational Psychology (where vacant posts were only filled for part of the year) resulted in the overall underspend of £0.9m. This has been transferred to the departmental reserve.
- 17.4. The Division has fully implemented the 2012/13 budgeted savings target of £0.522m.
- 17.5. The Adult Learning and Skills service over-spent by £0.1m which was funded through a reserve set up in the previous year. There were a number of factors which contributed to the overspend including a reduction in the Skills Funding Agency grant (as a result of lower learner numbers) and having to carry the cost of the MAC (Multi-Access Centres) service, the staff for which are no longer funded following the end of the Working Neighbourhood Funding (WNF). The latter is being addressed in the new financial year through an organisational review.

18. Schools

- 18.1. Schools figures are not included in the General Fund budget presented in Appendix A as schools are financed by the Government's ring-fenced Dedicated Schools Grant. Non-DSG schools functions are included within the other divisions of the Children's Services directorate above.
- 18.2. Following consultation the Council submitted its new funding proposals to the Department for Education (DfE) earlier this year. This gives details of the school's block budget for 2013/14 using the new funding formula.
- 18.3. The new formula will result in a significant re-distribution of funding amongst schools. The minimum funding guarantee for 2013-15 provides protection such that no school can lose more than 1.5% of its funding year on year on a per pupil basis. The DfE has indicated that there will be protection from 2015/16, although the level is unknown as this is beyond the current public spending review.

- 18.4. Work has been completed on the High Needs block budget which covers expenditure on those students with special needs requirements. From 1 August 2013 the local authority will also be responsible for administering the high needs funding for post 16 students in colleges of further education. In addition to the transfer of risk from the Education Funding Agency (EFA) who previously administered this funding, there remains some uncertainty as to the adequacy of the budget transfer and dialogue continues.
- 18.5. School balances have increased by £4.1m (£3.1m in secondary schools, £0.8m in primary schools and £0.2m in specials) with total balances now standing at £24.6m. These balances are within the control of individual schools.

Housing Revenue Account

19. Housing Revenue Account

- 19.1. 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.
- 19.2. There was an underspend of £2,393k on the Housing Revenue Account, against turnover of £81m.
- 19.3. This was driven largely by a reduction of some £1.6m in Capital Expenditure from Revenue (CERA) which arose due to slippage on the HRA capital programme for 2012/13. Further details are provided in the separate Capital Outturn report.
- 19.4. Capital financing costs were also underspent by £863k due to a reduction in the interest rate (from 4.5% in the budget to the outturn rate of 4.4%), a saving in debt-rescheduling costs versus budget and also less borrowing for financing the HRA capital spend in 2011/12 and 2012/13 than was allowed for in the budget.
- 19.5. There was an additional underspend in repairs and maintenance of £331k, representing only 1% of the £30,230k original budget. This was due to delays in recruiting to certain posts within the service and delays in government implementation of low-pay initiatives.
- 19.6. Tenancy management is showing a net overspend of £295k or 1.6% against budget. The overspend has arisen mainly due to extra costs on flat services and sheltered accommodation. This was partly offset by full year costs not being incurred on the Leicester to Work programme and the Housing Graduate Scheme.
- 19.7. Overall HRA balances at 31st March are £7.8m compared to a budget forecast of £5.4m, an increase of £2.4m. The additional balances will mainly be required in 2013/14 to finance slippage from the 2012/13 HRA capital programme.

Housing Benefits (Client Payments)

20. Housing Benefits (Client Payments)

- 20.1. The 2012-13 outturn for HB showed a net cost of £114k compared to a budget of £527k, thus giving an underspend variance of £413k.
- 20.2. A provision of £2,007k has been made from revenue to cover potential errors in the HB Final Subsidy Claim forwarded to the DWP. This provision is consistent with assumptions in the previous year's outturn.
- 20.3. Following finalisation of the 2009-10 HB Final Claim, the Department for Work & Pensions recovered £45,707 less than total provision made for that year, allowing the over-provision to be released.

Corporate

21. Corporate

- 21.1. The corporate budgets cover the Council's capital financing arrangements and a range of central and contingency budgets set aside as part of the 2012-13 budget.
- 21.2. As forecast in the year, savings have been achieved on corporate budgets. Because of the overall resilience of service budgets in the year, several of the contingencies put aside in the corporate budgets have not been called upon or have been only partly utilised. This includes the contingencies for energy costs, pensions, NI and general budget pressures. The budget strategy approved for 2013-14 has now removed the corporate energy contingency.
- 21.3. The capital financing costs for the year, including statutory Minimum Revenue Provision and treasury management costs, were around £489k lower than budgeted, driven largely by the use of cash balances to avoid the need for borrowing.
- 21.4. As previously reported, a contingency of £1.7m for pay awards was not required, as no pay increase was awarded.
- 21.5. Some of the anticipated one-off savings in corporate budgets have been committed during the course of the year, following decisions of the City Mayor. A rebate of £2.2m from previous deductions made to formula grant (part of a Government settlement related to funding of academies), together with other anticipated savings has been used to fund the one-off costs associated with the purchase of Friars' Mill, the development of a new King Richard III visitor centre and the Rugby World Cup. To the extent that these sums are unspent at year end, they have been transferred to the capital reserve.

- 21.6. The table below shows the forecast uncommitted balance on the Council's general reserves. The original budget for 2012-13 envisaged drawing down reserves of £7.423m to balance the budget. Due to the savings achieved this contribution is no longer required, and it is instead proposed to transfer this sum from reserves to the Capital Fund in order to facilitate the second phase of the Economic Action Plan.
- 21.7. The intention is that the money will meet one-off expenditure to support the revitalisation of the city against a background of economic difficulties. Spending of this sum will be subject to the approval of the executive in the normal manner.

Movement on the Council's General Fund in 2012-13

	£m
Reserves balance 1/4/12	19.8
<u>Add</u>	
Outturn – net increase in uncommitted reserves	1.4
Sum transferred from insurance reserve (see below)	2.0
	<u>23.2</u>
<u>Less</u>	
Provision for street lighting	2.0
Planned use of reserves now contribution to Capital Fund	7.4
<u>Uncommitted Reserves at 31st March 2013</u>	<u>13.8</u>

- 21.8. The provision for street lighting represents the initial subsidy required to make the £12m project to invest in street lighting self-financing, and was approved in the 2012/13 budget and subsequently by the City Mayor on 16th August 2012.
- 21.9. The final uncommitted reserves balance of £13.8m can be contrasted with the £11.4m anticipated when the 2013-14 budget was set, and the balance can be used to extend the managed reserves strategy (this was an approach agreed by the Council to facilitate the substantial cuts required by the Government in the medium term).

APPENDIX C

2012/13 Savings performance

The following tables summarise the Council's performance against the savings targets set as part of the 2012-13 budget. Some savings programmes have over-achieved compared to expectations but others have not yet released the savings predicted.

As set out in Appendices A & B, the Council has been able to manage well within its resources during 2012-13.

In general, where budgeted savings have not been achieved, the position has been managed through one-off savings, the identification of new savings in-year, the continued monitoring of costs and income and on occasion the use of reserves previously set aside to help manage costs.

These measures do not, however, negate the need to deliver on the overall savings programme if the Council is to continue to manage within the expected funding limits over coming years.

The Table below summarises the reviews that **did not release savings** in 2012/13.

Div	No.	Details	2012/13 Budgeted Saving	2012/13 Saving Achieved	Shortfall / (Excess)
DC&PG	R3	Marketing – Increasing income from selling advertising through strategic partner agreement	50	0	50
PT&ED	RHT6	Relocate energy services to Council building	40	0	40
PT&ED	RHT13	Reduce bus subsidies	200	(208)	408
YPS	AIP 2-1	Reduce managers in neighbourhoods	200	0	200
YPS	AIP 2-6	Nursery education staff arrangement changes	147	0	147
YPS	P&C 2 R	Reduce SEN home to school transport	195	0	195
YPS	P&C 7 R	Travel subsidy for people with journeys in excess of 3 miles	65	0	65
YPS	P&C 8 R	Introduce eligibility criteria for SEN students	102	0	102
YPS	P&C 9 R	Travel assistance where income tests are met	167	0	167
			1,166	(208)	1,374

APPENDIX C (continued)

The Table below summaries efficiencies within divisions that **partly released savings** in 2012/13.

Div	No.	Details	2012/13 Budgeted Saving	2012/13 Saving Forecast	Shortfall / (Excess)
L,C&R	R19	Registration and Coronial Services – Reduced staffing	125	68	57
ASC&S	R3	Reablement	1,000	825	175
ASC&S	R6	Fairer Charging	288	239	49
ASC&S	R10.1 to R10.5, R10.8, R19, R15 & R50	Packages of Social Care etc	1,810	1,484	326
ASC&S	R10.6 to R10.7	Continuing Health Care. Equitable contributions from LCC and the NHS	562	194	368
ASC&S	R11	Transport – taxi costs	600	189	411
ASC&S	R54	Voluntary Sector	710	138	572
Prop	R20	Property framework contracts	300	150	150
NS&C	HLS20	Sports - 10% savings in running costs	300	258	42
PT&ED	RHT5	Review St Margaret's Bus Station cleansing	70	55	15
YPS	AIP 2-10	Reduce Ed Welfare officer hours	20	18	2
YPS	AIP 4-1	Prioritise early prevention activities	1,273	217	1,056
YPS	AIP 4-2	Decommissioning of some support via Connexions	1,200	1,000	200
CSC&S	SC&S 4 E	Proposal to close Hillview sub-office	30	11	19
			8,288	4,846	3,442

APPENDIX C (continued)

The Table below summaries efficiencies within divisions that **over achieved savings** in 2012/13.

Div	No.	Details	2012/13 Budgeted Saving	2012/13 Saving Forecast	Shortfall / (Excess)
ASC&S	R53	Housing Related Support	600	621	(21)
PT&ED	RHT4	Reduce Park & Ride subsidy	90	165	(75)
PT&ED	RHT10	Bus lane enforcement	200	764	(564)
PT&ED	RHT11	Reduce Road Safety Team	55	70	(15)
YPS	AIP 1-3	Delete the Youth Work Curriculum Development Officer post	23	28	(5)
YPS	AIP 1-4	Delete the YP's Training and Dev support post	20	23	(3)
YPS	AIP 1-7	Delete the Specialist Teen Parent Childcare Support Officer post	14	21	(7)
YPS	AIP 1-8	Delete the Inclusion Officer post	15	18	(3)
YPS	AIP 1-12	Delete the Adult link into learning posts	29	44	(15)
YPS	AIP 1-13	Cease the provision of specialist school anxiety support	80	99	(19)
YPS	AIP 1-14	Delete two specialist play related support posts	105	110	(5)
YPS	AIP 2-2	Reduce childcare & early learning manager posts from 8 to 6	38	78	(40)
YPS	AIP 2-4	Youth worker post changes	7	8	(1)
YPS	AIP 2-7	Reduce number of Children's Centre teachers	97	143	(46)
YPS	AIP 2-8	Reduce Community Development staff	73	153	(80)
YPS	AIP 2-9	Delete Senior Nursery Officer level posts	58	62	(4)
YPS	AIP 3-1	Delete Youth Service Finance officer post	16	19	(3)
YPS	AIP 3-2	Delete Citywide Youth Work training post	23	26	(3)
			1,543	2,452	(909)

Earmarked Reserves – year end summary

1. General

- 1.1. Earmarked reserves represent sums of money set aside for specific future purposes. This is contrast to the General Fund which exists to support the Council's day to day operations.

2. New Earmarked Reserves

- 2.1. There is one request for a new earmarked reserve.
- 2.2. This reserve is to be called 'Highcross highways maintenance (commuted sum)'. It is intended to hold a balance of £150k (received from commercial property developer Hammerson) which will be used for the on-going maintenance of highways around the Highcross centre
- 2.3. **The Executive is requested to approve the creation of this reserve.**

3. Existing Earmarked Reserves

- 3.1. This section of the report provides an overview of other significant sums of revenue money, which are held in reserves. These reserves are "earmarked" for specific purposes, and are separate from the Council's "uncommitted" balances. In general these reserves have increased overall by £22m during 2012/13 from £131m to £153m. This is driven largely by increases in ring-fenced reserves, amounts set aside for the BSF programme and to support the capital programme. The level of earmarked reserve balances is expected to decline in future years as monies set aside for the BSF and capital programmes are spent.
- 3.2. The reserves comprise:

Ring-fenced reserves

a) *Schools Balances (Revenue)*

The amount held in this reserve has increased from £21.5m to £24.6m following this year's outturn. This money is, by law, ring fenced to individual schools (subject to any clawback of excessive balances, which are returned to the overall Schools Budget).

b) *NHS Joint Working Projects*

This reserve was set up in 2011/12 and now stands at £12.9m. The Government is increasingly providing money (via the NHS) for joint working between adult social care and the NHS. The Council has undertaken to agree the use of these funds with the NHS and allocate them to projects benefitting the delivery of health and social care. All funds directed in this way are subject to section 256 agreements which are signed by both parties.

c) Dedicated Schools Grant Balances

This represents grant received by the Council, which has not been delegated to schools or spent on relevant non-delegated functions. The balance currently stands at £6.6m, and is ring fenced by law and is therefore not available for general spending.

d) School Capital Fund

Schools are able to set aside resources to support future capital spending to enhance their facilities or resources. This reserve holds the funds set aside. The reserve was increased by £600k in the year from £4.8m to £5.4m.

e) Schools Buy Back

This reserve contains funds set aside by schools from their delegated budgets to support investment in the catering service they receive through the City Catering operation. It holds a balance of £1.14m, an increase of £107k in the year.

f) Public Health (NHS)

This reserve was set up in 2011/12 and now stands at £3.3m and is required to support the transition of Public Health responsibilities from the NHS to the council. The Council has undertaken to agree the use of this funding with NHS Leicester and the funds will be applied to support measures to tackle health inequalities issues such as obesity, alcohol and tobacco, domestic violence prevention and early intervention. All funds directed in this way are subject to section 256 agreements which are signed by both parties.

Corporate reserves

g) Building Schools for the Future

This reserve was set up in January 2007 to meet the capital expenditure costs associated with the BSF programme. Additional grant funding has been received in the year and the balance at year-end now stands at £37.0m. This will be spent as the programme develops – it will begin to be used in 2013-14 but will more substantially be used in 2014-15.

h) Capital Fund

This Capital Fund represents resources set aside to support future capital investment. The balance is currently £25.9m and is committed to supporting the capital programme as detailed in the separate capital outturn report.

i) Severance

Established as part of the 2010/11 budget, this reserve (£9.2m) has been created to meet the redundancy and other costs arising from budget restructuring. The balance is at the level estimated when the 2013-14 budget was approved.

j) Insurance Fund

The Council's self-insured Insurance Fund stands at £5.4m together with a further £5.8m for known claims. The fund is deemed to be sufficient to meet known and potential claims.

k) Job Evaluation

This reserve was established to build a suitable provision to manage the expected costs of the implementation of a revised job evaluation scheme and the costs of salary protection once a scheme is implemented. The total balance remaining in this reserve now stands at £1.2m. All job evaluation implementation is now complete and the remaining money will be spent on the backdating cost of successful appeals.

Other reserves

l) Social Care Replacement System

A single social care replacement IT system (Liquid Logic) is being implemented to replace the old CareFirst system which was purchased 10 years ago and is no longer fit for purpose. It will support the Adults and Children's Social Care functions and the reserve is used to fund this. An additional £450k was added to this reserve in the year leaving a balance of £2.1m.

m) Corporate IT Development Fund

This reserve is held for various on-going IT developments, many of which span financial years. The corporate IT fund currently stands at £2.05m – an increase of £495k in the year. Annual ICT development expenditure can vary enormously year to year so this fund is used to manage expenditure over the life of the projects.

n) Connexions Closure

There will be substantial costs arising from the closure of the two Connexions companies, for which £2m was reserved in 2011/12 to cover pension, redundancy and other costs associated with the closure. £200k was applied in year and the remaining balance is £1.8m.

o) Financial Services divisional reserve

A balance of £1.7m has been created with the purpose of establishing funds to create a new Business Service Centre – this is integral to the budget savings approved in 2013-14. The money has arisen from underspends in the division in 2012-13, additional dividend income from ESPO, savings in the cost of implementing RMS and historic payroll balances.

p) Children's Services Funds

The balance of £1.4m is made up of two reserves – the Children and Education departmental reserve (£1.2m) and the Raising Attainment Project reserve (£0.2m). The departmental reserve will be used initially to meet budget pressures in 2013/14 arising from government grant cuts and the balance will be used to fund any further costs of the replacement Carefirst system. The RAP reserve fund is for Raising Attainment Projects and the balance will be used to support residual projects through to July 2014.

q) City Development & Neighbourhoods departmental reserve

This reserve (£1.2m) holds funds arising from a retrospective VAT claim and will be used to support activities in connection with the Economic Action Plan and the forthcoming Rugby World Cup.

r) *Economic Action Plan*

This money is the balance of the former Government's Area Based Grant programme. The balance of £1.1m represents outstanding commitments at 31st March 2013

s) *Strategic Initiatives*

This reserve holds funds to deliver key strategic projects, and has been increased by part of the underspend in the Delivery, Communication & Political Governance division. It is used to fund key initiatives of a revenue nature.

t) *Preventing Homelessness*

£0.6m of the current £0.9m balance is fully committed as agreed in the 2012/13 period 4 report. Although the remaining balance is not currently committed it is anticipated that this balance may be required in the event of any shortfall in the 2013-14 savings targets around the homelessness strategy.

u) *Adult Services departmental reserve*

The balance of £0.9m consists of previous years unallocated underspends brought forward and the current years underspend which is proposed to be earmarked for additional expenditure associated with the review of Elderly Persons Homes and the funding for adult learning services already agreed by the executive..

v) *HR divisional reserve*

As referred to in Appendix B 2.1, this balance (£0.7m) is primarily 2012/13 underspend which is proposed to be carried forward as the £1.1m savings target for the recently commenced HR Review are likely to take longer to achieve than anticipated.

w) *Other earmarked reserves totalling £4.6m*

There are a number of smaller reserves put aside for specific purposes totalling £4.6m overall. These include some of the departmental carry forward reserves covered in Appendix E. These reserves all total less than £700k each with a net contribution of £368k in the year.

Earmarked Revenue Reserves

APPENDIX D

	<u>Year end balance</u> <u>31st March 2012</u> <u>£'000</u>	<u>Year end balance</u> <u>31st March 2013</u> <u>£'000</u>
<u>Ring-fenced Reserves</u>		
Schools Balances	21,535	24,651
NHS Joint Working Projects	10,336	12,957
DSG not delegated to schools	4,992	6,609
School Capital Fund	4,776	5,449
Schools Buy Back	1,029	1,136
Public Health	2,752	3,313
Total ring-fenced	45,420	54,115
<u>Corporate reserves</u>		
Building Schools for the Future - Financing	31,279	37,027
Capital Reserve	17,182	25,956
Severance	5,042	9,271
Insurance Fund	5,822	5,382
Job Evaluation (inc. Schools Catering)	3,073	1,225
Total corporate	62,398	78,861
<u>Other</u>		
Social Care Replacement IT System	1,650	2,099
IT Reserves	1,555	2,050
Connexions Closure	2,000	1,797
Financial Services divisional reserve	130	1,720
Childrens Services Funds	3,158	1,447
CDN departmental reserve	751	1,210
Economic Action Plan	6,219	1,129
Strategic Initiatives	2,236	1,043
Preventing Homelessness	882	936
Adult Services departmental reserve	695	916
HR divisional reserve	-	701
Housing-related Support Reserve	679	609
Hamilton Development - Bond	-	475
Highways Maintenance	408	418
Housing divisional reserve	131	401
Legal Services divisional reserve	-	380
Delivery, Communications & Political Governance	380	300
Cremator replacement fund	1,197	268
Other - Miscellaneous reserves	1,554	1,722
Total other	23,625	19,621
Total General Fund Earmarked Reserves	131,443	152,597
<u>Housing Revenue Account Earmarked Reserves</u>		
Housing Maintenance	-	-
Total HRA Earmarked Reserves	-	-
TOTAL EARMARKED RESERVES	131,443	152,597

APPENDIX E

Divisional underspending – 2012/13 – Proposed Carry Forwards to 2013/14

	£'000
1. Corporate Resources & Support	
• Finance	338
○ The Finance Departmental Reserve will be used to support The transformation process around the creation of the Business Service Centre	
• Human Resources & Workforce Development	609
○ These funds will be used to support budget pressures arising from the delay in implementing the HR services review	
• Information & Customer Access	200
○ To support future IT developments including the Lync system	
• Delivery Communications & Political Governance	300
○ To support budget pressures arising from transformation in the service in future years	
2. Adult Social Care, Health & Housing	
• Care Services & Commissioning	498
○ To support budget pressures arising from the review Of Elderly Persons Homes	
• Housing	70
○ To support budget pressures arising from the homelessness review taking longer than anticipated	
3. Children's & Education Services	
• To support budget pressures arising from cuts to Government grants	924
DEPARTMENTAL TOTAL	2,939