



Leicester  
City Council

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# ***Revenue Budget Monitoring – Period 9, 2014/15***

Decision to be taken by: N/A

Overview Select Committee date: 23<sup>rd</sup> March 2015

Lead director: Alison Greenhill

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## Useful information

- Ward(s) affected: All
- Report author: Simon Walton
- Author contact details: Ext 37 4053

### 1. Summary

The purpose of this report is to present the spending position of the Council as at the end of December 2014. This is the third report in the annual cycle of budget monitoring.

Significant future budget reductions are required and although the managed reserves strategy adopted by the Council bought some time to properly plan for these, it is dependent on the implementation of decisions already taken.

The most significant issue reported is the pressure facing the Adult Social Care department, as reported at period 6 and which have stabilised.

### 2. Recommendations

2.1 The Executive is recommended to:

- Note the outturn position detailed in the report
- Approve the transfer of £100k underspend from Legal Services to earmarked reserves for the replacement of the case management system and to cover transitional costs of the potential future transfer of Land Charges to the Land Registry (see Appendix B para 5.2).
- Approve the creation of a new earmarked reserve for Market Income and the transfer of £500k from the Corporate Budget underspends (see Appendix B para 22.1).

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 2014/15 was £295.2m.

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

Appendix B provides more detailed commentary on the forecast position.

## 4. Financial, legal and other implications

### 4.1 Financial & Legal implications

This report is solely concerned with financial issues.  
Alison Greenhill, Director of Finance, Ext 37 4001

### 4.2 Climate Change and Carbon Reduction implications

This report is solely concerned with financial issues.

### 4.3 Equality Impact Assessment

No Equality Impact Assessment (EIA) has been carried out as this is not applicable to a budget monitoring report.

### 4.4 Other Implications

<b>Other implications</b>	<b>Yes/No</b>	<b>Paragraph referred</b>
Equal Opportunities	No	-
Policy	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-
Elderly/People on low income	No	-
Corporate Parenting	No	-
Health Inequalities Impact	No	-

No other implications are noted as this is a budget monitoring report, and therefore no policy changes are proposed.

## 5. Background information and other papers.

Report to Council on the 26<sup>th</sup> February 2014 on the General Fund revenue budget 2014/15

Revenue Budget Monitoring Report for Period 6, 2014-15 presented to the Overview Select Committee on 27<sup>th</sup> November 2014

**6. Summary of appendices:**

Appendix A – P9 Budget Monitoring Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

**7. Is this a private report?**

No

**GENERAL FUND REVENUE BUDGET  
BUDGET MONITORING SUMMARY 2014/15 - PERIOD 9**

	Current Budget for Year	Forecast Outturn to Period 09	Forecast Variance over (under) spend
	£000	£000	£000
Local Services and Enforcement	27,122.5	27,121.5	(1.0)
Culture & Neighbourhood Services	15,561.8	15,688.6	126.8
Planning, Transportation & Economic Development	19,134.7	19,134.9	0.2
City Centre	518.3	519.4	1.1
Property Services	8,527.0	8,332.2	(194.8)
Departmental Overheads	682.8	749.9	67.1
<b>City Development and Neighbourhoods</b>	<b>71,547.1</b>	<b>71,546.5</b>	<b>(0.6)</b>
Adult Social Care & Safeguarding	68,726.9	71,354.9	2,628.0
Care Services & Commissioning	20,427.5	21,896.6	1,469.1
Housing Services	5,145.4	5,012.0	(133.4)
Health Improvement & Wellbeing	13,453.0	13,453.0	0.0
<b>Adult Social Care, Health and Housing</b>	<b>107,752.8</b>	<b>111,716.5</b>	<b>3,963.7</b>
Strategic Commissioning & Business Development	5,214.9	5,214.9	0.0
Learning Quality & Performance Services	7,021.6	7,021.6	0.0
Children, Young People & Families	47,819.4	47,819.4	0.0
Departmental Resources	(6,762.4)	(6,762.4)	0.0
<b>Education &amp; Children's Services</b>	<b>53,293.5</b>	<b>53,293.5</b>	<b>0.0</b>
Delivery Communications & Political Governance	7,011.0	6,611.0	(400.0)
Financial Services	10,943.3	10,331.0	(612.3)
Human Resources	2,850.9	2,850.9	0.0
Information Services	8,725.3	9,456.3	731.0
Legal Coronal & Registrars	2,226.1	2,112.9	(113.2)
<b>Corporate Resources and Support</b>	<b>31,756.6</b>	<b>31,362.1</b>	<b>(394.5)</b>
<b>Housing Benefits (Client Payments)</b>	<b>527.6</b>	<b>681.0</b>	<b>153.4</b>
<b>Total Operational</b>	<b>264,877.6</b>	<b>268,599.6</b>	<b>3,722.0</b>
Miscellaneous	16,924.0	13,745.2	(3,178.8)
Capital Financing	14,537.7	14,384.7	(153.0)
<b>Total Corporate Budgets</b>	<b>31,461.7</b>	<b>28,129.9</b>	<b>(3,331.8)</b>
Net Recharges	(2,500.0)	(3,200.0)	(700.0)
Public Health Grant	(21,995.0)	(21,995.0)	0.0
Use of Reserves	23,328.1	23,328.1	0.0
<b>TOTAL GENERAL FUND</b>	<b>295,172.4</b>	<b>294,862.6</b>	<b>(309.8)</b>

### **Period 9 Divisional Narrative – Explanation of Variances**

#### **Corporate Resources and Support**

##### **1. Finance**

- 1.1. The Financial Services Division is forecasting an underspend of £612k. Half of this is due to vacancies in Customer Services which are currently not being recruited to on a permanent basis until sufficient progress is made with the service transformation project. Key information systems need to be replaced, such as the customer relationship management system, to enable the service to encourage self-service by customers and progress the channel shift agenda. Other vacancies within the division are not being recruited to in order to facilitate the delivery of £1.7m of savings arising from the councils' spending review programme.

##### **2. Human Resources & Workforce Development**

- 2.1. Human Resources & Workforce Development is forecasting a balanced budget.

##### **3. Information Services**

- 3.1. The Division currently shows a £731k budget pressure. This is due to a growth in the number of sites supported on the Council's network and the demand for significant bandwidth increases and previous reviews not delivering the level of savings required in order to achieve a balanced budget. A review of the senior structure within the division has now taken place which will lead to savings and a significant overhaul of the division's budget, method of operation and procurement strategy is underway.

##### **4. Delivery, Communications & Political Governance**

- 4.1. After taking into account the anticipated costs to the Council of the KRIII reinterment, the Division is forecasting an underspend of £400k. This is due to vacancies, some of which are being recruited to and others held to support the spending review.
- 4.2. The following spending review savings have been built into the budget since it was initially approved:
  - 4.2.1. Voluntary & Community Sector – A review of the Council's support to the voluntary and community sector is anticipated to achieve a saving in 2014/15 of £66.1k (and £132.2k from 2015/16).
  - 4.2.2. External Communications (£85k).

## **5. Legal, Coronial & Registrars**

- 5.1. The Legal, Coronial & Registrars Division is forecasting a net underspend of £113k with a forecast overspend in the Coronial and Registration Service offsetting savings in Legal Services.
- 5.2. Legal Services is forecasting an underspend of £240k, due to not recruiting to vacancies (£160k) and £80k additional income within Land Charges due to a sustained upturn in the housing market. It is requested that £100k of this is transferred into earmarked reserves for the replacement of the case management system and to cover transitional costs of the potential future transfer of Land Charges to the Land Registry.
- 5.3. Coronial & Registrars are forecasting an overspend of £135k. This is due to an increase in the number of deaths together with the requirement for more costly investigation than was previously the case. The Registration Service faces a temporary loss of income due to changes at the Home Office affecting applications for British Citizenship.

## **City Development and Neighbourhoods**

### **6. Summary**

- 6.1. The department as a whole expects to stay within budget after balancing pressures within the individual divisions.

### **7. Planning, Transportation and Economic Development**

- 7.1. The Division continues to forecast a balanced outturn on a net budget of £19.1m.
- 7.2. Responsibility for markets has transferred into the Division from the Property Division. Future budgets will be realigned to reflect the longer term changes arising from the redevelopment of Leicester Market.
- 7.3. The number of planning applications has increased this year, thus the fee income is expected to achieve the budgeted £1.2m, compared to £942k last year.
- 7.4. The Park and Ride spending review was approved in December 2014. By introducing a £1 day ticket for concessionary travel pass holders from January 2015 the Council is able to reduce its share of the subsidy required to fund the ongoing park and ride services operating from Birstall, Enderby and Meynells Gorse. The budget for 2014/15 has been reduced by £10.0k since the original approval (£50k from 2015/16).

## **8. Culture and Neighbourhood Services**

- 8.1. The Division is forecasting an overspend of £127k against a net budget of £15.6m.
- 8.2. The main reason for this is Sports Services' income generation, which continues to be under pressure against the £5.3m budget, together with the effect of an unplanned closure of the Leicester Leys pool for critical maintenance earlier in the financial year. A number of initiatives have been implemented, with more planned, to increase participation and generate income and spending is being restricted to essential items.
- 8.3. The budget has been reduced since the beginning of the year as a consequence of the Transforming Neighbourhoods (West) spending review. Planned reconfiguration of neighbourhood service delivery is expected to achieve a saving of £32.0k in 2014/15 (£65.7k from 2015/16). A further Transforming Neighbourhoods spending review of the South is expected to achieve a saving of £80.0k from 2015/16.

## **9. Local Services and Enforcement**

- 9.1. The Division is forecasting to break even on a net budget of £27.1m.

## **10. Property Services**

- 10.1. The Division is forecasting to underspend by £195k on a net budget of £8.5m. This is largely due to management action to retain fleet vehicles for a longer period than planned and to rigorously challenge any proposed replacement or new vehicles, resulting in savings on financing costs. These savings are partially offset by short term transitional costs associated with the redevelopment of Leicester Market.

## **11. Resources**

- 11.1. The Division is forecasting to spend £68k more than the budget of £1.2m, largely due to one off support for inward investment activity to drive economic regeneration. This can be accommodated by savings elsewhere in the department.

## **Adult Social Care, Health and Housing**

### **12. Adult Care and Health**

- 12.1. As reported previously, the adult social care budget is under significant pressures. These include:
  - Costs associated with a significant increase in assessments relating to Deprivation of Liberty Safeguards. This follows the Cheshire West Supreme Court judgement in March 2014 on Deprivation of Liberty safeguards (DoLs). It is estimated that the court ruling has expanded the scope of DoLs by tenfold and the Council is now incurring significantly increased costs.



- Additional costs anticipated as a consequence of the Council's current review of fees paid to residential care homes, and which apply retrospectively.
- There have been a number of previous budget reductions where implementation has been delayed compared to the assumptions made in the budget. The largest area of delayed savings relates to the programme of closure and sales of the Council's Elderly Persons Homes. The judicial review of this decision has further delayed the closure of one home and required considerable management capacity, creating delays in the programme overall, but has recently been resolved in the Council's favour.
- Demand for services has risen above the levels forecast when the budget was set.

12.2. The period 9 forecast for the two adult social care divisions is that there will be an overspend of £4.1m on a gross budget of £127.7m and net budget of £89.1m.

12.3. The Department is undertaking a rigorous exercise to mitigate the forecast overspend. Some actions have already been implemented and the position has to some extent been offset by savings achieved through careful management of contracts, with reduced spending amounting to £0.9m. Savings are also anticipated in the Health, Improvement and Wellbeing Division which could affect the overspend.

12.4. Whilst the department is doing all it can to contain recurrent expenditure, it is clear that there are, and will continue to be, pressures on the department's budget. An earmarked reserve amounting to £3.2m has been created from within departmental resources (as reported at period 6) although this will also be required to mitigate 2015/16 pressures. Work is taking place to review the department's reserves.

### **13. Housing Services**

13.1. The General Fund housing service is forecasting an underspend of £133k.

13.2. Vacancy management across the service is expected to result in an underspend of £120k on salary expenditure.

13.3. Occupancy rates in the council temporary accommodation are higher than budgeted, as a result an additional £50k housing benefit income is forecast.

13.4. Unbudgeted essential repairs on the CCTV system for Border House costing £25k were required.

13.5. The budget has been reduced as a consequence of the Homelessness spending review with resultant savings of £333k in 2014/15 (£567k in 2015/16).

## **Education and Children's Services**

### **14. Summary**

- 14.1. The Department is forecasting to spend £53.3m in 2014/15, in line with the budget.
- 14.2. During the first half of the year the Department has substantially completed the savings reviews outlined in the 2014/15 budget. These include the re-organisation of the children's centres (effective from 1 July), completion of the management review and organisational reviews of the Youth Service, Youth Offending service and the integration of the Disabled Children's teams. These will all deliver the required savings.
- 14.3. The re-organisation of Children's Social Care teams has been effective from April 2014. Liquid Logic, the Care First case management system replacement has gone live from 1 April.
- 14.4. A review of School Improvement started in October to not only address the budget savings targets already agreed, but also to contribute to the significant cut in the Education Services Grant (ESG) from 2015/16.
- 14.5. The reduction in the ESG and pressures on home to school transport are the major immediate budget issues from 2015/16. Proposals have been developed to address these issues and are reflected in the budget for 2015/16.
- 14.6. The Department is carrying out a review of its social care placement offer which will contribute to the spending review.
- 14.7. An inspection by Ofsted commenced in mid-January of services for children in need of help and protection, children looked after and care leavers.

### **15. Strategic Commissioning & Business Development**

- 15.1. This Division is forecasting to spend £5.2m in line with the budget.
- 15.2. There remains a budget pressure on home to school transport, in particular for SEN pupils. This can be accommodated in 2014/15 and steps are in place as part of the budget process for 15/16 to address this on a more permanent basis.
- 15.3. City Catering have been successfully providing up to an additional 6,700 meals per day as part of the Universal Free School Meals for infant children. The revenue grant funding provided by the DfE is thought to be adequate at this stage. The grant is based on census data for take up in October and January 2015.

## **16. Children, Young People and Families**

- 16.1. The division is forecasting to spend £47.8m in 2014/15, in line with the budget.
- 16.2. The review of children's centre and family support staff has completed and the new 6 cluster structure was effective from 1 July.
- 16.3. The reviews of the Youth Offending Service and the part time Youth Worker staff have also completed.
- 16.4. The savings anticipated from these reviews in 2014/15 will all be made.
- 16.5. The Connexions service has now moved from Halford Street to its new location in 16 New Walk. The service is now providing a traded careers service to 19 schools including 6 County schools.
- 16.6. The Troubled Families programme which began in April 2012 will end in March 2015. The programme was worth £3.5m to support 1,140 families in Leicester to improve educational outcomes, reduce youth crime and encourage parents back to work.
- 16.7. It has been announced that phase 2 of the Troubled Families programme will run from 2015 to 2020 covering an estimated further 3,500 families. The funding per family has reduced from £4,000 in the first programme to £1,800 for phase 2 and this will be reflected in the planned expenditure.
- 16.8. The two year old nursery education grant (NEG) entitlement funding will be changing from 2015/16. Currently funding is provided for 20% (approximately 1,100) of the 2 year old cohort representing the most deprived children, rising to 40% from September this year. From 2015 the two year old funding will be based on actual take up as is the case for 3 and 4 year old NEG. An Early Years' Pupil Premium is also being introduced from 2015 at a rate of £300 per pupil for those entitled. Initial estimates from the DfE suggest 1,712 3 and 4 year old pupils could be eligible with an allocation of £493k.
- 16.9. The organisational review of Social Care was completed at the beginning of April and will achieve the target savings in 2014/15. There will be savings in running costs from the integration of teams this year. Where necessary we are employing agency social workers within the Children in Need Teams both in 2014/15 and into 2015/16, until such time as vacancies have been filled with permanent staff.
- 16.10. The new case management system, Liquid Logic, went live from the 1 April and there is further work being carried out on implementing the Early Help module.
- 16.11. The number of looked after children (LAC) has been stable at around 525 for the majority of the year to date compared to 533 at the end of March 2014 although

there has been an increase in late December. The mix of placement type has varied from the previous year with an increase in residential placements particularly in secure welfare and a reduction in secure remand. The overall placement costs this year can be managed within the Division's budget.

- 16.12. A review of the placement offer has started which covers pre-care, in care and leaving care, to ensure that our provision is as effective as possible. This work forms part of the Education and Children's Services spending review programme.

### **17. Learning Quality & Performance Services**

- 17.1. The division is forecasting to spend £7.0m, in line with the budget.
- 17.2. The integration of the disabled children's teams has been completed and the target savings will be made in 2014/15.
- 17.3. In June 2013 the DfE announced that the Education Services Grant (£6.2m) would be cut by 20% in 2015/16, equivalent to £1.2m. Following a further consultation in 2014 the DfE have announced revised funding rates which means that the reduction will now be £1.35m.
- 17.4. The grant is meant to cover a number of areas including School Improvement, Educational Welfare, asset management and some other statutory and regulatory services.
- 17.5. It was recognised in the budget last year that a review of the School Improvement Service was required to reflect the shifting role of the local authority from a direct provider of most school improvement services to one which ensures and supports capacity in the school system for improvement through brokering, commissioning and supporting partnerships. The DfE's position on this has been re-affirmed following the consultation on the Education Services Grant in June this year.
- 17.6. Whilst the review will not complete until early 2015 the savings required in 2014/15 will be achieved from savings in vacant posts.
- 17.7. The SEND team have been working towards the implementation from 1 September 2014 of the SEN code of practice which is statutory guidance published by the DfE on duties, policies and procedures relating to part 3 of the Children and Families Bill.
- 17.8. One of the major tasks is the conversion of all existing SEN pupils from statements to Educational Health Care plans. Funding has been provided to cover this and other transitional costs in the shape of the SEN reform grant.

## **18. Schools**

- 18.1. The DfE plans to introduce a national school funding formula from 2015/16 have now been deferred and so there will be stability in the method of allocating funds. The individual schools' budget for 2015/16 has been agreed with Schools Forum. The 2015/16 formula includes small changes to how planned pupil growth is funded together with amendments to allowances for split sites and alterations to the method of distributing free school meal funds.

## **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. At period 9, the forecast for the HRA is an underspend of £0.3m (excluding revenue used for capital spending, which is described in the capital monitoring report).
- 19.3. The underspending is a consequence of work on the spending review programme, which has achieved savings in the cost of repairs and maintenance. More significant savings will be achieved in 2015/16 and later years.

## **Housing Benefits (Client Payments) & Corporate Items**

### **20. Housing Benefits (Client Payments)**

- 20.1. A review of the Housing Benefits budget has been undertaken at period 9 in line with the previous mid-year forecasts for the subsidy claim. This shows the forecast spend is £681k against the £527k net budget.
- 20.2. Whilst the cost of Housing Benefits is almost entirely met by government grant, the expenditure can be volatile with a number of uncertainties and risks associated with this. One of the areas is the grant claw back by DWP for prior years. Another area includes overpayments / overpayment recoveries, to the extent that these exceed budget. This continues to be monitored in line with the transfer of this function to the Business Service Centre; the Centre is now responsible for the billing and recovery of overpaid benefit.
- 20.3. The 2011/12 Subsidy grant claim has been finalised by the DWP with the final subsidy repayment for this claim being made in February 2015. However, 2 years still remain outstanding (2012/13 & 2013/14); the 2012/13 year should be finalised in due course. The Audited 2013/14 subsidy grant claim was submitted at the end of November 2014 to the DWP and we are currently awaiting the processing of that claim. A review of the provisions will be undertaken later on in the year when the next grant claim is finalised.

## **21. Corporate Items**

- 21.1. Other Corporate budgets include corporate capital financing costs, items such as audit fees, bank charges and levies. It also includes a number of provisions that cover areas of concern when we set the budget.
- 21.2. Given the difficult financial climate, recent budgets have included provisions (e.g. a general contingency) to hedge against risk. This is good practice at a time when there are so many change programmes.
- 21.3. The need for these sums gets reassessed as the year progresses and as risk crystallises. Additionally, one-off sums may be received which help provide future savings.
- 21.4. At period 9, it is forecast that savings of £4.0m will be achieved, which exceeds the £2.5m forecast at period 6. Reasons for this increase are principally a dividend received on the winding up of the former Connexions company (£0.6m) and a rebate of £1m in respect staffing agency costs.
- 21.5. Corporate savings have also arisen due to in-year spending review savings as discussed earlier in the report, but reduced by the proposed markets transfer (see para 22.1 below).
- 21.6. To support the most vulnerable members of the community during the current period of welfare reform, the Council has promoted the available Council Tax hardship relief. Notwithstanding these efforts, the Council is still forecasting an underspend of £270k. This underspend will be transferred to the Welfare Reform Reserve (approved in the 2013/14 Period 9 budget monitoring report) to support residents in need, and those affected by welfare reform. The Government is ceasing the £1.9m per year grant received for crisis support, and the reserve will enable the Council to fund a continued (but time limited) programme. The estimated balance at 31<sup>st</sup> March will be £3.3m.
- 21.7. As a result of pro-active initiative work, the Council has been able to use the Proceeds of Crime Act to recover criminally gained money. Following a successful POCA confiscation investigation on a benefit fraud case we have recovered £36.2k this year to be transferred to the POCA reserve (which was approved in the period 9 2012/13 budget monitoring report). This reserve can then in turn be used for future initiatives around fraud or trading standards work to recover further criminally gained money.

## **22. Request for new earmarked reserve**

- 22.1. Approval for the creation of a new earmarked reserve for 'Market Income' is being sought in this report. This is to enable temporary shortfalls in future years' income to be covered whilst development work continues. It is proposed that £0.5m of the corporate budget underspends be transferred into this reserve.