



Revenue Budget Monitoring – Outturn, 2016/17

Decision to be taken by: City Mayor

Executive meeting date: 25th May 2017

Overview Select Committee date: 22nd June 2017

Lead director: Alison Greenhill

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
- Author contact details: Ext 37 5667

1. Summary

The purpose of this report is to set out the Council's financial performance against its revenue budget in the financial year 2016/17. Given the scale of Government funding cuts, departments have inevitably been under pressure to provide services with less funding. The outturn position is largely consistent with forecasts presented during the year and the main issues have been highlighted in previous monitoring reports.

The key issues during 2015/16 were the overspending in Adults Social Care and Children's Services. These were recognised in the 2016/17 budget, and consequently £14m was added to the budget for adult care and £3m to the budget for Children's Social Care.

Inevitably the main concern during 2016/17 was to manage these services within budget, and it is pleasing to report that this has been the case. The £3m contingency in the 2016/17 budget was not therefore required.

The Council's budget strategy has relied on the delivery of spending review savings. During 2016/17, £3.6m has been saved during the year, and this has been added to the money available for the managed reserve strategy. This extends the period over which reserve can be used to reduce the impact of budget cuts.

The medium-term financial outlook is extremely difficult as funding cuts continue. Managing spending pressures will be crucial to living within our means in the future along with achieving spending review targets.

2. Recommendations

2.1 The Executive is recommended to:

- Note the outturn position detailed in the report.
- Approve the following transfers to earmarked reserves
 - a) savings within the Corporate Resources department as set out in Appendix B, Para's 1.1, 2.1, 3.1, 4.2
 - b) the overall underspend in City Development & Neighbourhoods of £20k is transferred to the divisional reserve
 - c) savings in Adult Social Care as set out in Appendix B, Para 12.9, subject to uses of the new fund being subject to a formal decision based on individual business cases;
 - d) one-off saving in Adult Social Care shown at Appendix A is transferred to managed reserves

- e) savings in Public Health & Sports Services to a departmental reserve to enable initiatives to support the service in achieving its savings targets in Appendix B, Para.13.8
- f) savings in Corporate budgets to fund the Economic Action Plan in Appendix B, Para.18.6
- Approve the following budget reductions consequent to spending reviews;
 - a) reductions to the Neighbourhoods and Environmental Services budget of £12.5k in 2017/18 rising to £271k in 2018/19, in respect of Regulatory Services and Community Safety as detailed in Appendix B, paragraph 8.2.
 - b) reductions in Public Health & Sports Services budget of £245k in 2017/18, in respect to Sexual Health Services as detailed in Appendix B, paragraph 13.9.
 - c) reductions in Public Health & Sports Services budget of £350k in 2017/18, in respect of savings in Lifestyles Services as detailed in Appendix B paragraph 13.10.

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 2016/17 was £263.2m.

Appendix A details the performance of General Fund services against the budget for 2016/17.

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

Appendix C provides detail of balances on earmarked reserves for 2016/17

4. Financial, legal and other implications

4.1 Financial implications

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

4.2 Legal implications

There are no legal implications arising directly from the recommendations of this report.
Emma Horton, Head of Law (Commercial, Property & Planning)

4.3 Climate Change and Carbon Reduction implications

This report is solely concerned with financial issues.

4.4 Equality Impact Assessment

No Equality Impact Assessment (EIA) has been carried out as this is not applicable to a budget monitoring report.
Surinder Singh, Ext 37 4148

4.5 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.

5. Background information and other papers.

Report to Council on the 24th February 2016 on the General Fund revenue budget 2016/17.

Period 6 Monitoring report and minutes of OSC Finance task group presented to OSC on 13th December 2016

Period 9 Monitoring report and minutes of OSC Finance task group presented to OSC on 6th April 2017.

6. Summary of appendices:

Appendix A – Outturn Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

Appendix C – Earmarked Reserves Year End Balances.

7. Is this a private report?

No

APPENDIX A

General Fund Revenue Budget

Budget Monitoring Summary 2016/17 -Outturn

	Current Budget for Year	Outturn	Variance over (under) spend
	£000	£000	£000
Planning, Development & Transportation	17,381.0	17,381.0	0.0
Tourism, Culture & Inward Investment	6,596.0	6,596.0	0.0
Neighbourhoods & Environmental Services	30,598.9	30,598.9	0.0
Estates & Building Services	8,966.8	8,966.8	0.0
Fleet Management & Departmental Overheads	730.8	730.8	0.0
Housing Services	4,056.7	4,056.7	0.0
City Development and Neighbourhoods	68,330.2	68,330.2	0.0
Adult Social Care	102,414.6	100,850.2	(1,564.4)
Health Improvement & Well-being	23,360.8	23,360.8	0.0
Strategic Commissioning & Business Development	678.1	678.1	0.0
Learning Quality & Performance Services	8,564.3	8,564.3	0.0
Children, Young People & Families	59,131.0	59,131.0	0.0
Departmental Resources	(10,129.9)	(10,129.9)	0.0
Education & Children's Services	58,243.5	58,243.5	0.0
Financial Services	11,795.4	11,545.4	(250.0)
Human Resources	4,262.8	4,012.8	(250.0)
Information Services	10,084.6	10,084.6	0.0
Delivery Communications & political Governance	5,637.8	5,387.8	(250.0)
Legal Coronal & Registrars	2,017.1	2,017.1	0.0
Corporate Resources and Support	33,797.7	33,047.7	(750.0)
Housing Benefits (Client Payments)	527.6	(938.8)	(1,466.4)
Total Operational	286,674.4	282,893.6	(3,780.8)
Corporate Budgets	13,317.5	8,142.3	(5,175.2)
Capital Financing	13,300.3	12,581.8	(718.5)
Total Corporate & Capital Financing	26,617.8	20,724.1	(5,893.7)
Public Health Grant	(28,214.0)	(28,214.0)	0.0
Use of Reserves	(21,904.7)	(21,904.7)	0.0
TOTAL GENERAL FUND	263,173.5	253,499.0	(9,674.5)

Outturn Divisional Narrative – Explanation of Variances

Corporate Resources and Support

1. Finance

- 1.1. The Financial Services Division underspent by £570k, due to the early delivery of spending review savings, including vacant posts. It is proposed to transfer £320k to the divisional reserve and the £250k residual underspend to the channel shift reserve.

2. Human Resources & Workforce Development

- 2.1. Human Resources & Workforce Development underspent by £549k. Of this £350k relates to staffing vacancies across all the main HR Teams, some of which have proved difficult to recruit to. A proportion of these vacancies have been held in order to contribute to the spending review of Administration across the Council. In addition, HR has underspent budget for the commissioning of organisational learning and development, pending a review. Additional income has been generated via trading with schools. It is proposed to transfer £299k to the divisional reserve and the £250k underspend to the Transformation Fund for future reviews.

3. Information Services

- 3.1. Information Services underspent by £705k. This is primarily due to the early delivery of spending savings. Further savings were achieved through negotiations with external suppliers and the retendering of contracts, together with cessation and changes in service provision. It is proposed that the underspend should be transferred to the IT reserve to help meet pressures in 2017-18, where £1.2m of savings are required to meet the spending review target and to continue to fund the replacement and upgrade of the councils IT infrastructure.

4. Delivery Communications & Political Governance

- 4.1. Delivery, Communications and Political Governance underspent by £1.09m. This includes £260k arising from vacancies and reductions in running costs relating to the civic and democratic services spending review which it was anticipated would be removed from the budget in-year but will instead be actioned for the new financial year. Efficiencies in the Individual Electoral Registration (IER) process resulted in not all of the allocated funding being required.. Community Languages achieved a higher than expected income of £85k. A £100k underspend related to the divisional VCS spend where a number of contracts are currently subject to review, and a £100k underspend related to strategic management costs including corporate subscriptions and memberships. A £0.3m one-off underspend was identified during the year-end accounting procedures relating to the formerly traded element of the communications and marketing function (i.e. graphic design, print and photography). In addition the division has held vacancies which will contribute to the spending review of administration across the Council.

- 4.2. £288k has been used to cover an overspend on Coronial & Registrars (see below). It is proposed that £250k underspend be transferred to the Channel Shift reserve with the remaining balance £449k going to the divisional reserves in part to fund graduates and apprenticeships in future years.

5. Legal, Registration & Coronial Services

- 5.1. The Legal Services budget underspent by £31k.
- 5.2. Coronial & Registrars overspent by £288k due to the previously reported pressures on the budget from legislative changes. This will be covered by the Delivery Communications & Political Governance underspends.

City Development and Neighbourhoods

The department underspent by £20k on a net budget of £68.3m, which will be transferred to divisional reserves.

6. Planning, Development and Transportation

- 6.1. A number of pressures were managed including significant rating revaluation of the Victoria Park/Granville Road car park and increased costs of pot hole repairs by drawing on energy cost savings and additional income from Bus lane enforcement. The division managed to stay close to budget.

7. Tourism, Culture & Inward Investment

- 7.1. As expected, the division overspent by £270k, largely due to reductions in income whilst the Leicester Market redevelopment works continued. Some additional costs were incurred on initiatives to drive inward investment of businesses and jobs into the city. These overspends were offset by savings elsewhere in the department.

8. Neighbourhood & Environmental Services

- 8.1. In year changes in waste disposal regulations unexpectedly increased landfill tax costs leading, with other additional pressures, to a shortfall in budget of £327k. The pressures at the Gypsum Close facility continued and Gilroes Cemetery income continues to be affected by the opening of new facilities in the county. There was also additional required spending in terms of tree works and food safety. Some of these pressures will continue into the future (for example, increased landfill tax costs, income pressures at Gypsum Close and Gilroes) and are to be addressed within the department to realign/ensure the budget is sustainable. This overspend was covered by savings within the department.
- 8.2. Measures will be taken to eliminate budget pressures in Regulatory Services of £206k due to historical unrealised income targets that do not reflect the current market and required increased spending on Food Safety provision as indicated above. In-year pressures can occur from the cost of enforcement action via the courts, where the timing and amount of cost recovery is uncertain. In addition to this there are savings required by the spending review programme of £271k. Savings and budget pressure measures will be delivered mid 2017/18 and are being considered to be addressed by ceasing the provision of discretionary services such as training, business advice and

accommodation certificates; and reconfiguring the services provided by Noise & Pollution Control, Building Control, Trading Standards, Leicester Anti-Social Behaviour Unit, Community Safety Team and support services. Total spending review savings planned by Regulatory Services now amount to £423k.

9. Estates & Building Services

- 9.1. The Division underspent by £260k, largely from savings on the costs of running city centre administrative buildings and achieving higher fees than anticipated from trading.

10. Housing General Fund

- 10.1. The Housing General Fund budget is underspent by £325k as expected, mainly due to staff savings. There were a number of vacancies in the Housing Options team which also delivered running cost savings.
- 10.2. £60k was saved from better use of the private rented sector to accommodate homeless families, rather than expensive bed and breakfast arrangements.
- 10.3. As part of the Homelessness spending review, £191k has been saved in 2016/17 through the streamlining of processes and by not recruiting to vacant posts.

11. Housing Revenue Account

- 11.1. The Housing Revenue Account (HRA) is a ring-fenced income and expenditure account relating to the management and maintenance of the Council's housing stock.
- 11.2. The HRA underspent by £4.7m, excluding revenue for capital financing which is reported separately in the capital monitoring report.
- 11.3. Actual rental income was £0.5m less than budget, as reported at period 9. This was due to the loss of £0.8m rental income mainly from higher than expected Right to Buy sales, partially offset by delays to the agreed transfer of shops to the General Fund such that the rental income continued to accrue to the HRA. However, a one-off benefit of £1.7m arose from a financial year-end review of the bad debt provision and lower than budgeted write-offs. Provisions had originally been increased because of the significant welfare changes. Therefore the overall outturn shows income of £1.2m more than the budget.
- 11.4. The Repairs and maintenance service underspent by £1.5m. The majority of this (£0.8m) relates to vacancies, both before and after the restructuring of the service, which were higher than expected. Expenditure on materials was £0.5m lower than budgeted, with a further £0.2m from fuel costs for fleet vehicles. There may be a knock-on effect into 2017/18 as outstanding works are completed.
- 11.5. Management and Landlord Services service underspent by £1.9m. Again vacancy management across the service represents a significant share of this being offset by £0.3m of restructuring costs. The underspend was higher than previous forecasts, due mainly to communal heating

underspending by £0.6m following the relatively mild winter; and to one-off income from higher than expected Right to Buy Sales.

Adult Social Care

12. Adult Social Care

- 12.1. The department spent £100.8m, £1.6m less than the budget of £102.4m. The underspend is one off in nature, and reflects steps taken to deliver the significant efficiencies in adult care which are required over the next 3 years.
- 12.2. Specifically, the underspend arises from savings in staffing costs as the Department has re-structured through a number of significant organisational reviews which completed in 2016/17. These reviews include the creation of a new Enablement Service (formed out of the old in house day centre service) which will prevent or reduce the need for statutory care and a more efficient Contracting and Commissioning function. The Department also has a medium term objective of reducing the size of its care management staff to bring the level more into line with bench mark authorities. There has been a significant focus on productivity of care management staff in the year and a review of business processes to reduce unnecessary or ineffective work. For example reducing hand-offs between teams or duplicated referral and information transfer processes. The department has also focused on reducing its reliance on agency and temporary staffing over the year. The re-structuring will contribute towards the department generating significant savings by 2019/20 as outlined in paragraph 12.11 below.
- 12.3. As a result of the staffing reviews and restructuring work there have been a number of vacant posts which have not been filled either where reviews are pending, such as in Care Management, or post review, where recruitment to the new structure has not been completed such as in Enablement and Contracts and Commissioning. It is the savings from these vacant posts as the department continues to re-structure which has resulted in the one off underspend in 2016/17.
- 12.4. Of the £102.4m budget the most significant item is the £94.9m expenditure on independent sector service user care package costs. The level of net growth in long term service users in the year was 1.2% (62 service users from a base at the start of the year of 5,300). This compares to 2.6% (137) in 2015/16. The level of growth in older service users and those with Learning Difficulties were both less than 1%. However growth in those service users with mental health conditions increased by 5.2% (although still only 34 service users).
- 12.5. The most significant area of cost increase was from net increases in package costs of our existing service users. This occurs when the condition of the user deteriorates, for example through increasing frailty and additional support is required on a short- or longer-term basis. The level of increase this year is higher than last. Increases in individual service user costs continue to be tracked by social work teams to be clear of the reasons why and the appropriateness of the new package being provided.
- 12.6. The overall impact of the growth in service users and changes in package costs results in an overall growth of 3.7% or £3.4m for the year, compared with 2.9% (£2.4m) in 15/16.

- 12.7. Reviews of service users are ongoing to ensure that the most appropriate care packages are in place. These reviews have yielded cost savings of £1.3m this year.
- 12.8. We are still awaiting the outcome of the consultation on the funding which will be made available for local authorities to pay for the accommodation costs in excess of the local housing allowance for tenants of sheltered and supported housing schemes, including Extra Care Housing schemes. The details of the grant allocations will not be known until the autumn 2017. This affects our ability to provide cost effective alternatives to residential care.
- 12.9. Approval is requested for the transfer of £1.5m to an earmarked reserve which will be used to provide a grant pot which can be used by the voluntary sector for preventative non statutory support in the community of £250k per annum for a three year period, with an option to extend for a further three years.
- 12.10. Members will recall the significant overspends which arose in 2015/16, which reflected the demand led pressures faced by the department. As part of the Council's 2016/17 budget significant additional funding was provided from Council reserves to address adult social care cost pressures from increasing demand and the effects of the national living wage on provider costs. The Council's budget strategy assumes additional resources will continue to be required for the whole period of the 3 year plan.

The Government has recognised the pressures in adult social care, and has announced some extra funding: this funding is not sufficient to meet the pressures we face. In the Chancellor's budget in March, additional funding was announced amounting to £7.4m in 17/18 and declining thereafter. If the extra funding was added to the money available from the council tax precept (which is reflected in our budget for 17/18), it can be compared to the additional funds made available to the department.

- 12.11. As the table illustrates there is still a cumulative funding shortfall for the Council of nearly £26m by 2019/20. The Council has funded the shortfall to date and will continue to do so until this is no longer possible and a more sustainable position is reached. The additional funding from the Council is net of £9.5m of savings which the department will achieve by 2019/20 and this includes the re-structuring work mentioned in paragraph 12.2 above.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Income from Social Care Council Tax Precept	2	5	8	8
Improved Better Care Fund (Chancellors budget announcement)	-	7.4	4.5	2.2
Total Additional Funding	2	12.4	12.5	10.2
Budget Increase	14	15.6	15.1	18
Cumulative Shortfall	12	15.2	17.8	25.6

13. Public Health & Sports Services

- 13.1 The Department spent £23.4m as per the budget after transferring £1.7m of in year one off underspends to reserves (see 13.8 below).
- 13.2 In November 2015 the Department of Health announced a series of reductions in the Public Health Grant. £1.6m was cut in 2015/16 and £0.6m in 2016/17 with estimated cuts of £0.7m each in the 2017/18-2019/20. The services provided by this division are almost entirely funded by Public Health Grant and therefore bear the brunt of the reductions.
- 13.3 The grant cuts in 2015/16 and 16/17 of £2.2m in total have been addressed by reducing spend in a number of areas including weight management in pregnancy, NHS Health-checks, Healthy Tots / Healthy Nurseries programme, reductions in evaluation and intelligence, cuts to smoking and tobacco control, reductions in some alcohol programmes and a workplace health scheme. The 0-19 Healthy Child Programme, which include the city's health visiting and school nursing service has been redesigned and a new contract has been awarded to Leicestershire Partnership Trust. This has included dedicated funding to co-locate key parts of the service in children's centres. . An organisational review of the service's staff has been completed which will save £0.3m on an annual basis out of a total staffing budget of £2.4m. Departmental earmarked reserves have been used to meet severance costs associated with the organisational review.
- 13.4 There has been lower than expected activity in some elements of the sexual health service which has a budget of £3.6m. The service is funded on a tariff system and there has been an increase in appointments for more complex procedures (including complex contraception) and a reduction in the number of people seen for more routine appointments. As the routine work attracts a proportionately higher payment for the amount of time required to see people than the complex work, the overall cost of the service has fallen this year. The impact of this on key outcomes including waiting times, contraceptive uptake and rates of STIs is being monitored.
- 13.5 All contracts with GPs for both sexual health and NHS Health Checks (which have a combined budget of £1.3m) are operating below expected activity levels. This is due to reduced capacity in general practice to provide these services. This is under discussion with the City Clinical Commissioning Group.
- 13.6 As a result of the above there has been a combined underspend of £1.1m across sexual health services and the NHS health check programme.
- 13.7 There are other underspends including the physical activity programme with the early decommissioning of two weight management contracts and other one off savings from the children's 0-19 service. These total £0.6m resulting in an overall department underspend of £1.7m.
- 13.8 Approval is requested for the transfer to an earmarked reserve of the in-year underspends of £ 1.7m which will cover a range of initiatives to support the service in achieving its savings targets from 2017/18 onwards.
- 13.9 It is proposed to remove £245k of budget in 2017/18 in relation to the contract saving for Sexual Health Service with Staffordshire and Stoke on Trent Partnership Trust and GP contracts.
- 13.10 It is proposed to remove £270k budget in 2017/18 from Lifestyle Services due to reductions in various areas including adult weight management (£100k), early year's healthy eating programme

(£90k) and Child management programme (£50k). This is the consequence of the spending review programme and has largely been achieved by the decommissioning & negotiation of contracts.

Education and Children's Services

14. Education and Children's Services

- 14.1 The department spent £58.2m as per the budget. Of the £58.2m budget £24.5m relates to placement costs for looked after children (LAC). Numbers of LAC at the end of March 2017 were 660 compared to 638 at the end of March 2016. The total population had remained relatively stable throughout the majority of 2016/17. Whilst there was an increase in the final quarter total, placement costs were less than the budget.
- 14.2 In terms of controlling placement costs, the approach is to both continually review existing LAC high cost placements for potential 'step down' opportunities to lower cost provision and to use targeted interventions to divert potential new entrants away from care.
- 14.3 External residential placements cost £7.4m this year compared to £6.5m in 2015/16. There has been a net increase of 6 placements this year, with 44 total placements at the end of December. The level of placements remains an area of concern.
- 14.4 Where internal foster carers are unavailable or the placement is short-term then more expensive Independent Foster Agency carers (IFAs) are used. There was a net reduction of 4 IFA placements in the year with a total population of 49 at the end of March and a total cost of £1.9m.
- 14.5 There were a total of 20 unaccompanied asylum seeking children (UASC) at the end of March. It is expected that the UASC grant will substantially cover the direct placement costs if not the additional staffing time and overhead.
- 14.6 The social work teams are still reliant on agency staff, the impact of which has been included in the budget. At the end of March there were 23 ASYE (Assessed and Supported Year in Employment) level one trainee social workers and 28 level two ASYEs across all of the social work teams in the division, together with 38 FTE qualified social workers and 45 agency staff. Agency staff are needed to support the ASYEs during their training and also to cover for secondments and maternity leave.
- 14.7 Separate consultations have taken place during the year on revising the Early Help and Children's centre provision and the Youth service in order to address the Department's spending review targets.

15. Schools & Learning Services

- 15.1. The Government has consulted on sweeping changes to the arrangements for schools' funding. This will include replacement of the local funding formula with a national funding formula, and overhaul of the arrangements for using DSG on anything other than schools' individual budgets. The result of this consultation is awaited.

- 15.2. Maintained school balances have reduced by £2.8m during 2016/17 from £17.2m to £14.4m. There were 8 schools in deficit in this year compared to 4 in 2015/16 with deficits ranging from £1k to £160k. We are working with these schools to support them in resolving their financial difficulties.

Corporate Items & Reserves

16. Housing Benefit

- 16.1. Every year, the Council makes payments of around £150m to Housing Benefits claimants, based on their individual circumstances. This is a crucial support to enable people on low incomes to meet their housing costs.
- 16.2. Housing Benefit payments made by the Council to claimants are reimbursed by the Government, except where subsequently discovered to have been paid in error. In these cases, subsidy is paid at a reduced rate, but the Council is able to retain any monies recovered from claimants. Most overpayments are due to claimant error, often arising because they have not told us of changes in their circumstances.
- 16.3. Where the overpayment is due to claimant error, subsidy is received for 40% of the value of the overpayment; the Council must therefore recover at least 60% of the value of such overpayments (on average) if we are not to lose money. Where claimants are still receiving benefits, recovery can be made through a payment plan deducted from their ongoing benefits, although this can take a long time to fully repay the debt. Where there is no ongoing payment of benefits, recovery can inevitably be difficult.
- 16.4. Compounding the issue is the continued need to set aside resource for subsidy disqualified following audit. This is a constant issue arising from past audits necessitating much more testing at Leicester than at other authorities. However, there is now cause for optimism that this is improving. Subsidy audits for 2014/15 and 2015/16 have now been completed and the amount repayable was significantly less than previously experienced. This is a result of improving processes and means no provision will be needed in 2016/17. It is hoped this pattern is now established and will result in lower provisions in future. Overpayment performance is also improving, as can be seen from the report on income collection elsewhere on your agenda.
- 16.5. Temporary staff, continue to be employed to help pursue overpayments at an early stage.
- 16.6. The overall position is a saving on this budget of £1.5m.

17. Discretionary Housing Payments

- 17.1. The government provides each local authority with a ring-fenced fund to enable additional financial assistance to be provided to claimants in receipt of either Housing Benefit (HB) or Universal Credit (UC) who are facing additional financial difficulties to help them meet their housing costs. The DHP fund allocated to Leicester for the financial year 2016/17 was £780,900. LA's are permitted to use their own funds to top up their Government contribution by an additional 150%.

- 17.2. Historically our DHP spend has been contained within the grant allocation however for the first time the DHP grant the awards granted exceeded the grant allocated by £50k. This overspend has been met from the Welfare Reform Reserve.

18. Corporate Items

- 18.1. The corporate budgets cover the Council's capital financing costs and items such as audit fees, bank charges and levies which it is not appropriate to include in departmental budgets.
- 18.2. Given the difficult financial climate, the 2016/17 budget includes a general contingency of £3m to help the Council manage both anticipated and unforeseeable risks. As anticipated at Period 9 this was not required and has increased the total underspend accordingly.
- 18.3. Since setting the budget, additional spending review savings have been approved, totalling £3.6m. This includes savings from the Homelessness review of £0.2m, approved since the Period 9 report was presented. This has contributed to the managed reserves strategy and increased amounts available to support the 2017/18 budget (in line with the Council's budget strategy).
- 18.4. Disregarding spending review savings which are committed to the 2017/18 budget, Housing Benefits and the general contingency, other underspends total £2.8m, slightly more than reported at Period 9.
- 18.5. Key reasons for this underspend are savings in capital financing as a result of higher investment income through better investment rates and by holding higher cash balances (£718k). Carbon reduction levy charges were lower than anticipated due to the milder winter and a discount offered to organisations that paid in advance, and a rebate, received in respect of agency staff from our contracted supplier.
- 18.6. It is proposed to use the underspend on corporate budgets together with the housing benefits underspend to make a contribution of £7.4m to the Economic Action Plan. Since 2013/14, the Council's Capital Programmes have focused on investing in the City's neighbourhoods. The Economic Action Plan complements the Capital Programme by ensuring that funding continues to be available for priority projects within and around the city centre. Further executive decisions would be required to allocate this funding to specific schemes.

Earmarked Reserves – Year-end Summary

1. Summary

- 1.1.** Earmarked reserves represent sums set aside for specific purposes. This is in contrast to the General Fund, which exists to support the Council's day-to-day operations.
- 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 ceiling 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.** During 2016/17 the Executive approved the reorganisation of departmental earmarked reserve balances and the transfer of £4.9m from earmarked reserves into the Managed Reserve Fund to support the budget strategy.
- 1.4.** Information on the larger reserves is set out detailed below. Some of the balances shown include transfers for which approval is sought in the recommendations to this report.
- 1.5.** Earmarked reserves are reducing, particularly as the Council has to spend the money set aside in the managed reserves strategy to support the budget.

2. Description of Reserves

2.1 Ring-fenced Reserves

Ring-fenced reserves hold funds that are held by the Council but for which we have obligations to other partners or organisations. These include funds held on behalf of the City's schools and funds held as part of joint working arrangements with the NHS.

- 2.1.1. NHS Joint Working Projects:** This balance in this reserve has decreased in 2016/17 from £5.3m to £1.8m. The Government has provided funding for joint working between adult social care and the NHS. The majority of this has now been spent.
- 2.1.2. 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 £14.2m, and is ring fenced by law and is therefore not available for general spending. Plans for utilising DSG balances are developed in consultation with the Schools' Forum
- 2.1.3. 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 has increased from £2.8m to £3.0m during 2016/17.

- 2.1.4. **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 £0.8m, a decrease of £0.15m in the year.
- 2.1.5. **Public Health:** This is ringfenced Public Health Grant money and will be used for future service changes.
- 2.1.6. **Schools Balances (Revenue):** The amount held in this reserve has decreased from £19.6m to £14.5m 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)
- 2.2. Corporate Reserves**
Corporate reserves are those held for purposes applicable to the organisation as a whole and not to any specific service, or those administered corporately. They include:
- 2.2.1. **Budget Strategy – Managed Reserves Fund:** This reserve holds the funds set aside as part of the “managed reserves” budget strategy adopted by the Council in recent years. The strategy aimed to build up reserves to buy time for the savings necessitated by Government funding cuts to be delivered in a structured way. At the end of 2016/17, the reserve stands at £27.5m of which £0.4m is required for OFSTED inspection costs.
- 2.2.2. **Building Schools for the Future:** This reserve was set up in January 2007 to meet the capital expenditure costs associated with the BSF programme. The balance at year-end stands at £20.4m and exists to manage costs over the remaining life of the BSF scheme and lifecycle maintenance costs of the new schools.
- 2.2.3. **Capital Fund:** This Capital Fund represents resources set aside to support approved spending on the Council's capital programme. The balance on this reserve will be updated once the financing of 2016/17 capital expenditure is completed.
- 2.2.4. **Severance:** Established as part of the 2010/11 budget and added to since, this reserve was created to meet the redundancy and other costs arising from budget cuts. The current balance on the reserves is £11.7m, an increase of £3.6m during the year (following an approved injection of £5m in the 2016/17 budget).
- 2.2.5. **Insurance Fund:** The Council's self-insured Insurance Fund stands at £6.7m together with a further £5.4m provision for known claims. The fund is deemed to be sufficient to meet known and potential claims.
- 2.2.6. **Service Transformation Fund:** This reserve (£7.1m) is to fund projects which redesign services enabling them to function effectively at reduced cost.
- 2.2.7. **Welfare Reform Reserve:** This reserve (£4.1m) supports welfare claimants, who face crisis. Following the withdrawal of government funding, this one off pot of money is our sole means of providing for such cases and is falling.

2.3. Departmental Reserves

Other reserves are those held for specific services or projects, including departmental reserves. These include:

- 2.3.1. **Adults:** The reserve (£1.8m) is to fund the new social care system, Liquidlogic and grants to the voluntary sector for preventative non statutory support in the community.
- 2.3.2. **Children's:** The balance has fallen to £1m and is available to fund future expenditure requirements.
- 2.3.3. **City Development & Neighbourhoods departmental reserve:** This reserve stands at £1m and has reduced by £2m in 2016/17.
- 2.3.4. **Housing:** The balance on this reserve stands at £1.2m and has reduced by £0.2m in 2016/17.
- 2.3.5. **Public Health:** The reserve is required to fund future outdoor gyms and the Food Growing Hubs Initiative. This reserve now stands at £0.9m a decrease of £0.8m. Unlike the reserve described at para. 2.1.5, this money is not ringfenced.
- 2.3.6. **Financial Services' Reserves:** The balance for this reserve now stands at £3.3m. This balance is being held to support future expenditure on replacing the Council's main Finance system, Service Analysis Team and Welfare & Benefits.
- 2.3.7. **Channel Shift Reserve:** This reserve was set up in 2014/15 to fund work across the Council to both improve the customer experience and make savings through increasing the proportion of interactions with residents that use web-based and self-service systems, or streamlined customer services operations. The reserve stands at £1.6m, a decrease of £54k in 2016/17.
- 2.3.8. **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 £3m – an increase of £0.8m 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. The existence of this fund reduces pressure on the Council's capital programme.
- 2.3.9. **PC Replacement Fund:** The reserve funds a rolling replacement programme for the council's hardware and in particular computer and telephony equipment for staff. There is a significant move from desktop computers to laptops (which are more expensive) and as we continue to promote flexible working and reduce our buildings profile then the change in our IT estate will continue to place demand on this reserve. This reserve currently stands at £1.3m.

- 2.3.10. **Surplus Property Disposal Reserve:** This reserve stands at £0.9m and is available to fund potential revenue costs of disposing of surplus property assets and thereby generating savings and delivering capital receipts.
- 2.3.11. **City Council Elections:** This reserve balance is £1m. The reserve will meet costs arising from future elections.
- 2.3.12. **Other earmarked reserves:** There are a number of smaller reserves put aside for specific purposes totalling £4m overall. These reserves all total less than £1m each and increased by a net £0.8m in the year.

2.4. General Reserve

The Council's general reserves stand at £15m. In line with our budget strategy, they are retained as a minimum balance for emergencies.

OUTTURN			
Earmarked Revenue Reserves	Reserves Per Reallocation	Transfers made P1-13	Outturn
	(£000)	(£000)	(£000)
Adult Care			
Adults General Reserve	685	(373)	312
Voluntary Sector Prospective Work	-	1,500	1,500
<i>Sub-total</i>	<i>685</i>	<i>1,127</i>	<i>1,812</i>
Children's	5,005	(4,048)	957
City Development (excluding Housing)	3,085	(1,993)	1,092
			-
Housing	1,366	(187)	1,179
Public Health	1,730	(832)	898
Resources			
Financial Services Reserve	2,837	510	3,347
Channel Shift Reserve	1,702	(54)	1,648
ICT Development Fund	2,156	803	2,959
PC Replacement Fund	939	358	1,297
Surplus Property Disposal Reserve	1,000	(88)	912
Election Fund	1,020	-	1,020
Other Resources	3,016	798	3,814
<i>Sub-total</i>	<i>12,670</i>	<i>2,328</i>	<i>14,998</i>
TOTAL DEPARTMENTAL RESERVES	24,541	(3,625)	20,936
Corporate reserves			
Managed Reserves Strategy	45,850	(18,355)	27,495
BSF Financing	24,812	(4,427)	20,386
Capital Programme Reserve	17,125	-	17,125
Severance Fund	8,094	3,581	11,675
Insurance Fund	11,121	(4,457)	6,664
Service Transformation Fund	6,135	1,167	7,302
Welfare Reform Reserve	4,533	(457)	4,076
Other Corporate Reserves	2,249	(311)	1,938
<i>Sub-total</i>	<i>119,919</i>	<i>(24,823)</i>	<i>96,661</i>
Ringfenced Monies			
NHS Joint Working Projects	5,275	(3,506)	1,769
DSG not delegated to schools	16,705	(2,500)	14,205
School Capital Fund	2,829	164	2,993
Schools Buy Back	923	(152)	771
Primary PRU Year-End Balance	71	(77)	6
Public Health Transformation	-	1,668	1,668
Secondary PRU Year-End Balance	175	38	213
Schools' Balances	19,583	(5,108)	14,475
<i>Sub-total</i>	<i>45,561</i>	<i>(9,473)</i>	<i>36,088</i>
GRAND TOTAL	190,021	(37,921)	153,685