Revenue Budget Monitoring – Period 6, 2017/18

Decision to be taken by: N/A

Overview Select Committee date: 14th December 2017

Lead director: Alison Greenhill

Useful information

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

1. Summary

This report is the second in the monitoring cycle for 2017/18, and forecasts the expected performance against the budget for the year.

Given the scale of Government funding cuts, departments are inevitably under pressure to provide services with less funding.

At this time it is worth noting that all services are forecasting they will operate within budget for the year.

The key issues during the recent few years have been the continued pressures within Adult Social Care and Children's Services. This report continues to demonstrate the pressures within these areas.

The Adult Social Care Department is continuing to see package costs rise for existing service users as their level of need increases. The department is continuing to make significant savings in anticipation of future pressures. Through the early implementation of planned savings, Adults is forecasting £3.6m of one off savings in the current year.

As discussed in period 4's report, the major issue for Children's Services remains the number of looked after children. This reached 688 in September compared to 660 at the end of March. It is anticipated that placement costs will exceed the budget for this year by £1.3m, but the department can meet this cost with one-off monies. Longer term plans to make savings are being prepared, including increased use of multi systemic therapy.

Additionally, we are seeing pressures in City Development and Neighbourhoods, forecasting to draw up to £0.8m of departmental reserves. Many of these pressures are anticipated to be ongoing and will need to be considered in budgeting for 2018/19.

Pressures being experienced within Corporate Resources are expected to be managed with savings identified within divisions.

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.

The narrative of the report describes the pressures which have arisen so far.

2. Recommendations

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report.

2.2 The OSC is recommended to:

- Consider the overall position presented within this report and make any observations it sees fit.

3. Supporting information including options considered:

The General Fund budget set for the financial year 2017/18 was £258.2m.

Appendix A details the budget for 2017/18.

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

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

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 22nd February 2017 on the General Fund revenue budget 2017/18.
Period 4 Monitoring report and minutes of OSC Finance task group presented to OSC on 2 November 2017.

6. Summary of appendices:

Appendix A – P6 Budget Monitoring Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

7. Is this a private report?

No

APPENDIX A

Revenue Budget at Period 6, 2017/18

	Current Budget for Year	P6 Forecast	Variance
	£000	£000	£000
Neighbourhood & Environmental Services	30,282.8	30,716.2	433.4
Tourism, Culture & Inward Investment	6,365.1	6,370.1	5.0
Planning, Transportation & Economic Development	16,387.2	16,156.4	(230.8)
Estates & Building Services	6,891.9	7,332.3	440.4
Departmental Overheads	621.3	611.8	(9.5)
Fleet Management	5.1	5.7	0.6
Housing Services	3,844.9	3,205.8	(639.1)
City Development and Neighbourhoods	**64,398.3**	**64,398.3**	**0.0**
Adult Social Care	**105,454.5**	**101,882.1**	**(3,572.4)**
Public Health & Sports Services	**21,536.3**	**21,049.4**	**(486.9)**
Strategic Commissioning & Business Development	547.9	547.9	0.0
Learning Services	8,355.1	8,766.1	411.0
Children, Young People & Families	57,597.8	58,226.1	628.3
Departmental Resources	(2,806.1)	(3,845.4)	(1,039.3)
Education & Children's Services	**63,694.7**	**63,694.7**	**(0.0)**
Delivery Communications & Political Governance	5,493.7	5,349.5	(144.2)
Financial Services	11,674.9	11,399.9	(275.0)
Human Resources	4,193.0	4,044.2	(148.8)
Information Services	9,093.6	9,368.6	275.0
Legal Coronial & Registrars	2,019.2	2,214.4	195.2
Corporate Resources and Support	**32,474.4**	**32,376.6**	**(97.8)**
Housing Benefits (Client Payments)	**500.0**	**500.0**	0.0
Total Operational	**288,058.2**	**283,901.1**	**(4,157.1)**
Corporate Budgets	1,566.6		
Capital Financing	13,806.9		
Total Corporate & Capital Financing	**15,373.5**		
Public Health Grant	(27,519.0)		
Use of Reserves	(17,709.7)		
TOTAL GENERAL FUND	**258,203.0**		

APPENDIX B

Outturn Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Some divisions have identified savings at this stage of the year, which are sufficient to offset pressures elsewhere.

1. Finance

1.1. The Financial Services Division is forecasting a balanced budget,(after funding the IT overspend of £0.27m).

2. Human Resources & Workforce Development

2.1. Human Resources & Workforce Development has identified savings of £0.15m due to additional income being generated by HR Operations through trading with schools and Academies, and vacant posts. This will be used to offset overspends within Corporate Resources.

3. Information Services

3.1. Information Services is forecasting pressures of £0.27m, as the £1.2m spending review savings target has not yet been fully implemented. An Organisational Review has commenced to achieve the balance of savings. The overspend is being covered from within Financial Services.

4. Delivery Communications & Political Governance

4.1. The Delivery, Communications and Political Governance Division is forecasting an underspend of £0.14m. The underspend will go towards DCPG reserves for future budget pressures.

5. Legal, Registration & Coronial Services

5.1. Legal Services is forecasting a balanced budget. Coronial Services are forecasting an over spend of £0.2m which is due to high costs in pathology tests and increased workload. The over spend will be will be met from underspends within Corporate Resources.

City Development and Neighbourhoods

The department forecasts a balanced out-turn on the net budget of £64.4m after using one-off funding and drawing up to £0.8m from the department's strategic reserve. Many of the pressures are anticipated to be on-going and will be considered in budget planning for 2018/19 and beyond.

The significant variances within the divisions are as follows:

6. Planning, Transportation and Economic Development

6.1. Car parking income is currently below expectations. This is being offset by higher than budgeted bus lane enforcement income together with energy cost savings. The repayments for the LED street lighting investment have been adjusted, giving, in year savings of £230k. The division is delivering £839k of savings from the Technical Services and Car Parking and Highways Maintenance spending reviews.

7. Tourism, Culture & Inward Investment

7.1. The main pressure is increased costs and lower income as Leicester Market is redeveloped. Whilst the market is expected to make a small surplus on its direct costs in the future, it can no longer achieve the net income budget of £400k p.a. The shortfall will be covered by funds set aside in the CDN reserve and other savings/increased income within the Division.

8. Neighbourhood & Environmental Services

8.1. The Division has two major budgetary pressures. Firstly, the fall in bereavement services income due to opening of two new crematoria in the south of the county, which is expected to be an ongoing pressure of circa £400k p.a. Secondly, the £15m waste management budget has on-going pressures of circa £500k due to legislative changes resulting in more waste attracting a higher rate of landfill tax, increased tonnages and higher than budgeted inflationary cost increases. The division is taking actions to mitigate the pressures, which are expected to deliver £300k, leaving a net shortfall of up to £433k. The division is however successfully delivering £559k of new savings from various spending reviews. It should also be noted that income pressures due to a gradual decline in traditional library income streams and changing use of community settings are currently being managed within the divisional budget. However they have been identified as potential pressures for future years, for which mitigations will be required.

9. Estates & Building Services

9.1. The Division is undergoing a major structural change, implementing the Technical Services spending review, the investment portfolio spending review, energy and environment review, with total new budget reductions of over £1.3m in the current year. The review includes adopting the corporate landlord model. Work is ongoing to identify all building related spend to achieve the centralisation of these budgets.

9.2. The next stage of the staffing review is anticipated to commence in December 2017 but will not realise the full savings until 2018/19, later than assumed in the initial Spending Review profile. To support mitigating the financial pressures, the Division is reviewing how it recovers fees for the services it provides and generates income from managing capital projects. Also, some posts are vacant in advance of the review and other maintenance commitments are to be reviewed. The outcome of these in the second half of the financial year may help to reduce the current predicted overspend of circa £440k.

10. Housing General Fund

10.1. The General Fund housing service is forecast to underspend by £0.6m. Unbudgeted new grant income (Homeless Support Grant) of £0.2m has been received and vacancy management across the service is forecast to result in 10 FTE vacancies, saving £0.3m. A further £0.1m is expected to result from the decommissioning of Shared and Supported accommodation within 2017/18. New government funding relating to the Homelessness Reduction Act was notified in October and the approach to implementing the new requirements is being considered.

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 is expected to underspend by £3.1m, (excluding revenue used for capital spending, which is reported in the capital monitoring report).

11.3. Income is forecast to be £1m above budget. There will now be no requirement in the current year to sell properties to fund the High Value

Vacant Homes Levy, which had been expected when the budget was set. The HRA has also continued to benefit from unbudgeted rental income for shops, which should transfer to the General Fund at the end of the year.

11.4. The repairs and maintenance service is projected to underspend by £1.3m. Vacancies within the service are expected to lead to a £1.4m underspend, the appointment of apprentices has reduced the number of vacancies. Fewer repair jobs during the year has resulted in reduced expenditure on materials of £0.2m, and fleet reduction, including fuel, has saved £0.3m. Offsetting these savings are £0.3m of essential maintenance work to district heating substations, £0.2m for vehicle racking and £0.1m for equipment hire.

11.5. Management and Landlord services are expected to underspend by £0.8m. A provision of £0.5m to meet the cost of the High Value Vacant Homes Levy is not required. There are also savings of £0.6m through management and admin vacancies alongside savings from co-locating neighbourhood housing offices through the Transforming Neighbourhood Services review. Unbudgeted costs of £0.2m in relation to shops management are forecast, alongside an additional £0.1m security costs for tower blocks.

Adult Social Care

12. Adult Social Care

12.1. The department is forecasting to spend £3.6m less than the budget of £105.5m. It is envisaged that this will be required to support future budget positions.

12.2. The underspend is one off in nature as a result of making planned savings ahead of schedule. Care management and related staffing costs are targeted to reduce by £2.3m from 2019/20 and we have already identified £1.1m from voluntary redundancies and deletion of vacant posts against a target this year of £0.85m. Savings from the Enablement service of £0.7m have also been identified from vacant posts a year ahead of schedule. The Kingfisher intermediate care centre has also been closed this year and a contract let for 12 beds with two independent sector providers giving savings a year ahead of schedule. There have also been a number of other staffing savings including in Contracts and Commissioning. All savings are intended to balance future budgets.

12.3. Following on from last year there has been no significant growth in net new service users. We are projecting that annual growth may be 1%, slightly less than the 1.2% seen in 2016/17.

12.4. The major issue for the service remains the increasing levels of need of our existing service users. This is forecast to add £5.3m to our gross package costs or 5.7% of the service user annual costs at the beginning of the year. This rate of increase is itself increasing – in 2016/17 it was 3.4% and 2.5% in 2015/16. The increase in package costs is predominantly in the 75 year plus age group and also with older service users with a learning disability. We have conducted a number of case audits of package changes and are satisfied that any increases are justified and appropriate, as we would expect.

12.5. We have carried out projections of the likely increases in need over the next two years and are satisfied that they remain sustainable within the funding available, including the new improved Better Care Fund.

12.6. The additional cost of the increasing needs has been mitigated to a significant extent this year as a result of the impact of savings from planned reviews of care packages together with additional service user fees and income from the CCG for joint funded packages. The savings from targeted reviews carried out last year have been sustained into this year which gives us confidence that the changes were appropriate for the individual service users.

Health Improvement & Wellbeing

13. Public Health & Sports Services

13.1. The department is forecasting to spend £21m, £0.5m less than the budget of £21.5m (Public Health £18.2m and Sports Service £3.3m).

13.2. The Sexual Health service is forecasting to underspend by £0.1m a budget of £4.2m largely as a result of lower than expected activity in some elements of the service. The use of on-line self-diagnosis tools and self-collection points has diverted some activity away from the needs for appointments with staff.

13.3. In the Smoking and Tobacco preventative service, demand for nicotine replacement therapy (NRT) is lower than budgeted resulting in a forecast underspend of £0.1m compared to a budget of £0.3m. This is mainly as a result of the increased take up of electronic cigarettes. Finally, following the staffing review in 2016/17 there are one off savings this year of £0.3m which includes the impact of vacant posts which have not been filled.

13.4. The Sports service is expected to spend as per their budget of £3.3m.

Education and Children's Services

14. Education and Children's Services

14.1. The department is forecasting to spend £63.7m as per the budget. In arriving at this position £2.2m of corporate funding has been used (as approved in the budget) to deal with the shortfall resulting from the end of the Education Services Grant in August.

14.2. The major issue remains the number of looked after children (LAC) which has reached 688 at the end of September compared to 660 at the end of March. The position has not changed significantly since Period 4. At the current level, placement costs will exceed the budget this year of £25.2m by £1.3m including the impact on home to school transport budgets of the higher LAC numbers.

14.3. There are a number of other areas of work that will have an impact on placement costs including increasing the number of children returning to home or 'stepping down' from expensive residential placements as soon as possible. We will also be doing a recruitment drive for internal foster carers to extend our current capacity to avoid expensive agency placements.

14.4. The new Multi-Systemic-Therapy (MST) teams continue to divert children from care since starting in July last year. The demand for referrals to the child abuse and neglect team (MST CAN) has exceeded the team's capacity and we will be introducing a second team in the new year. We are also likely to introduce another intervention team which can deal with cases not currently eligible for MST CAN. Both of these will have a significant impact on reducing LAC numbers.

14.5. The review of the children's centres and the early help offer has completed and there will be some savings in advance of the target for this year as the service was carrying a number of vacant posts. The organisational review of the youth service is in progress. The total additional savings ahead of this year's budget from these areas is £1m.

14.6. The Education Services Grant of £4.5m in 2016/17 has reduced to £2.15m this year as part of transitional arrangements which will see the grant being replaced in 2018/19 by £0.7m from the new Central Services block of the Dedicated School Grant. This reduction is being managed by funding set aside corporately. As part of these changes there will also be a very significant reduction in resources available for the School Improvement service, which will now be funded by a separate school improvement grant of £0.3m per annum.

14.7. The number of SEN children in specialist provision is increasing significantly year on year, both as a result of the increasing population and a higher rate of incidence for some conditions including mental health and autism. Numbers of children in special schools increased by 60 in 2017, taking the total numbers to over a thousand. This, together with the increasing numbers of SEN children being taught in our mainstream schools, means that the High Needs Block of the Dedicated Schools Grant is under severe pressure. This has a knock on effect on our SEN home to school transport budget which is likely to be £0.45m (10%) over budget this year.

14.8. The DfE have released a policy paper confirming the arrangements for the new national school funding formula from 2018/19. Following an announcement over the summer of additional funding (from within the DfE's own departmental budget), funding per pupil from the DfE will see all schools receiving a 0.5% per pupil increase as a minimum in 2018/19 as a result of the changes, rather than the previously proposed minus 3% floor. The total schools funding provided to the LA will increase by 2% compared to the current arrangements on a like for like basis. The impact on individual schools is currently being assessed.

14.9. The new arrangements for the High Needs Block in 2018/19 do not address the impact of increasing numbers of SEN placements as the funding levels do not increase in line with the unit cost of a placement. Whilst this was highlighted as part of the consultation, the DfE did not address the issue and as a result we will need to look at the future costs and funding arrangements for all the services paid for from the High Needs Block.

Corporate Items & Reserves

15. Corporate Items

15.1. The corporate budgets cover the Council's capital financing costs, items such as audit fees, bank charges and levies.

15.2. Since setting the budget, the following spending review savings have been approved, and are reflected in the forecast- Cleansing review (£365k), Investment Property (£180k) and UBB/Channel Shift (£265k), Children's Services (£1.2m), Civic & Democratic Services (£280k), Corporate Administration (£240k), Regulatory Services (£12k), Sexual Health & Lifestyle Services (£515k). Together these total £3m, and will reduce the reserves required to balance the 2017/18 budget. (making more reserves available for future budgets-the managed reserves strategy).