Leicester City Council

Revenue Budget Monitoring – Period 9, 2017/18

Decision to be taken by: City Mayor

Overview Select Committee date: 5th April 2018

Lead director: Alison Greenhill

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
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1. Summary

This report is the third 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. It is pleasing that all services are forecasting they will operate within their resources for the year. Given the number of local authorities facing overspends, this is a positive position.

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 this.

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 work towards making significant savings in anticipation of future pressures. The early implementation of this work has resulted in one-off savings in the current year of £5.7m. Some £5m of this will be used to meet current year budget pressures in Children's and CDN rather than using these departments' own one off resources to breakeven this year as originally planned. This will allow both CDN and Children's to retain their one off resources with which to deal with ongoing budget pressures in 2018/19 as they seek to reduce costs. These budget pressures in 2018/19 were discussed in the budget report for 18/19.

As discussed in the period 6 report, the major issue for Children's Services remains the number of looked after children. This reached 703 in December compared to 688 at the end of September. It is anticipated that the Children's department will exceed their ongoing revenue budget by £3.5m in 2017/18. The one off savings in Adult Social Care will assist to meet these budget pressures in the current year. Longer term plans to make savings are in progress, including increased use of multi systemic therapy and the introduction of another intervention team. £3.5m of the Adults one off underspend of £5.7m will be used to offset these pressures in 2017/18.

The budget pressures in City Development and Neighbourhoods which have previously been reported continue and these amount to £1.5m in 2017/18. As a result, a further £1.5m of the Adult Social Care underspend will be used in 2017/18 to offset this pressure, rather than calling upon the Department's strategic reserve. Many of these pressures are anticipated to be ongoing and have been identified in the budget report for 2018/19. Action will be taken to ensure the budget remains sustainable as part of the Spending Review 4 Programme.

The HRA is expected to underspend by £3.1m. This is mainly due to budget provisions for the High Value Vacant Homes Levy which are not required as the Government has again deferred implementation, fewer repairs jobs and lower staffing in the repairs teams, savings from vacancies within management and landlord services, and

increasing colocation of housing offices with other services.

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

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. As stated in the budget report for 2018/19, early achievement of savings will be required for CDN and Children's Services to remain within budget in that year. The approach of protecting both CDN's and Children's one off resources in 2017/18 will provide some flexibility for both of these departments in dealing with budget pressures in 2018/19. Any funds not required will be available to contribute to the managed reserves strategy.

Significant savings are anticipated in corporate budgets due to the completion of spending reviews in 2017/18. There form part of the managed reserves strategy, and are reflected in the 2018/19 budget.

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

2. Recommendations

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report
- Approve reductions to the Human Resources & Workforce Development budget of £72k in 2017/18 as detailed in Appendix B, Paragraph 2.2 (part of the spending review programme)
- Approve reductions to the Delivery, Communications and Political Governance budget of £10k in 2017/18 as detailed in Appendix B, paragraph 4.2 (part of the spending review programme)
- Approve the virement of £5m on a one off basis from Adult Social Care to Children's and City Developments & Neighbourhoods, £3.5m & £1.5m respectively.

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.
Period 6 Monitoring report and minutes of OSC Finance task group presented to OSC on 30 November 2017.

6. Summary of appendices:

Appendix A – P9 Budget Monitoring Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

7. Is this a private report?

No

KEY DECISION – yes due to reductions/increases to budget totalling £5m. It is on the forward plan.

APPENDIX A

Revenue Budget Forecast at Period 9, 2017/18

	Current Budget for Year	P9 Forecast	Variance
	£000	£000	£000
Neighbourhood & Environmental Services	30,861.1	31,494.0	632.9
Tourism, Culture & Inward Investment	5,958.9	5,957.3	(1.6)
Planning, Transportation & Economic Development	16,387.2	16,063.4	(323.8)
Estates & Building Services	7,771.1	8,201.9	430.8
Departmental Overheads	621.3	603.9	(17.4)
Fleet Management	5.1	4.6	(0.5)
Housing Services	3,844.9	3,124.5	(720.4)
City Development and Neighbourhoods	**65,449.6**	**65,449.6**	**0.0**
Adult Social Care	**100,722.5**	**99,980.4**	**(742.1)**
Public Health & Sports Services	**21,207.6**	**20,276.8**	**(930.8)**
Strategic Commissioning & Business Development	547.8	547.9	0.1
Learning Services	8,854.6	8,888.9	34.3
Children, Young People & Families	60,567.4	60,049.3	(518.1)
Departmental Resources	(2,806.1)	(2,322.4)	483.7
Education & Children's Services	**67,163.7**	**67,163.7**	**0.0**
Delivery Communications & Political Governance	5,377.9	5,284.2	(93.7)
Financial Services	11,669.3	11,478.5	(190.8)
Human Resources	4,171.0	3,992.8	(178.2)
Information Services	9,280.9	9,471.7	190.8
Legal Coronial & Registrars	2,045.2	2,173.3	128.1
Corporate Resources and Support	**32,544.3**	**32,400.5**	**(143.8)**
Housing Benefits (Client Payments)	**500.0**	**500.0**	0.0
Total Operational	**287,587.7**	**285,771.0**	**(1,816.7)**
Corporate Budgets	2,037.1	(1,662.9)	(3,700.0)
Capital Financing	13,806.9	13,342.0	(464.9)
Total Corporate & Capital Financing	**15,844.0**	**11,679.1**	**(4,164.9)**
Public Health Grant	(27,519.0)	(27,519.0)	0.0
Use of Reserves	(17,709.7)	(17,709.7)	0.0
TOTAL GENERAL FUND	**258,203.0**	**252,221.4**	**(5,981.6)**

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 IT overspends of £0.2m).

2. Human Resources & Workforce Development

2.1. Human Resources & Workforce Development is forecasting an underspend of at least £0.2m due to additional income being generated through trading with schools and academies, together with vacant posts. This will be added to the HR reserve to help fund additional HR support as the Council continues to implement significant organisational change.

2.2. The service has identified two vacancies for deletion which will achieve savings contributing to the spending review 4 programme, these savings total £72k.

3. Information Services

3.1. Information Services forecasts an overspend of £0.2m due to the £1.2m of approved spending review savings which have not yet been completely implemented. An Organisational Review is underway to implement the balance of the target. The overspend will be covered from within Financial Services.

4. Delivery Communications & Political Governance

4.1. The Delivery, Communications and Political Governance Division is forecasting an under spend of £0.94m. The under spend will go towards DCPG reserves for future budget pressures.

4.2. The division has developed an in house process to support the work of the Press and Media team, releasing £10k of non-staffing savings contributing to the spending review 4 programme.

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.

<u>City Development and Neighbourhoods</u>

The Department continues to experience a range of pressures. The proposed £1.5m budget transfer from Adult Social Care will enable a balanced outturn in the current year, without needing to draw on one-off resources including the departmental reserve. However, the pressures are largely on-going, as detailed in the 2018/19 budget report.

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 to help offset pressures elsewhere in the Department. The division is successfully 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. set some years ago. The shortfall will be covered by other savings and higher income within the Division, particularly increased income from managed workspaces.

8. Neighbourhood & Environmental Services

8.1. The Division has two major budgetary pressures as previously reported, totalling up to £1m in–year, after mitigating actions. Firstly, bereavement services income has fallen, due to the opening of two new crematoria in the south of the county, which is expected to be an ongoing pressure of circa £400k p.a. after other savings and income generation in the service. Secondly, the £15m waste management budget has on-going pressures of circa £500k p.a. due to legislative changes resulting in more waste attracting a higher rate of landfill tax, increased tonnages and higher than budgeted inflationary cost increases.

8.2. 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 multi-year Technical Services spending review, the investment portfolio spending review, energy and environment review; The divisional budget has been reduced by over £1.3m of profiled Spending Review savings in the current year. The review includes adopting the corporate landlord model, the first phase of which was implemented from April 2017. Work is ongoing to identify all building related spend to achieve the centralisation of these budgets.

9.2. A staffing review commenced in December 2017, hence the savings will not be achieved until 2018/19, somewhat later than assumed in the initial Spending Review profile upon which the budget reductions are based. The first year costs of the Corporate Landlord model have significantly exceeded projections, due at least in part to backlog maintenance needing to be addressed.

9.3. To support mitigating the financial pressures in future years, the Division is reviewing the budgets transferred from other services for the Corporate Landlord model; and also how fees are recovered for the services it provides including delivering multi-year capital programmes.
Taking all these factors into account, the current predicted in-year overspend is circa £1.4m, this will be offset by the virement from Adult Social Care and the remaining £430k will be managed within the department.

10. Housing General Fund

The General Fund housing service is forecast to underspend by £0.7m, up £0.1m from Period 6. Unbudgeted new grant income of £0.2m (Flexible Homelessness Support Grant) has been applied and savings of £0.1m are expected to result from IT costs associated with hostels which now sit in the HRA. Recruitment difficulties across the homelessness service have resulted in 9.5 vacancies, leading to an underspend of £0.3m. Out of an establishment of 100 posts across the service, 54 are funded by the General Fund homelessness services. The current vacancies are within the Housing Options and Revolving Door Teams (5.5) and the admin and support roles (4). Several attempts to recruit to the 5.5 vacant posts have been unsuccessful, but the latest round has secured 5 staff for Homelessness Prevention Officer and other key posts. A further recruitment attempt is currently underway for a Private Sector Officer post. All other teams, including the Outreach team, are operating at full establishment. It should also be noted that new Government funding of £134k has been received in advance of the Homelessness Reduction Act coming into effect in April 2018, which will be proposed for transfer to reserves to support future implementation costs.

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 as reported at Period 6, (excluding revenue used for capital spending, which is included in the capital monitoring report).

11.3. Rental income is forecast to be £1m above budget. There is no requirement in the year to sell properties to fund the High Value Vacant Homes Levy, as had been provided for in the budget. The HRA has also benefitted from unbudgeted rental income for shops, which should transfer to the General Fund in 2018/19.

11.4. The repairs and maintenance service is projected to underspend by £1.1m, a £0.2m reduction from Period 6. Vacancies within the service are expected to lead to a £1.6m underspend. As reported at Period 6, 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. Essential maintenance work to district heating substations now expected to cost £0.6m is being funded by the underspend. Also offsetting the savings are overspends of £0.1m for equipment hire, increased bad debt of £0.1m for rechargeable works, and £0.2m of costs associated with uninsured works to tenanted properties.

11.5. Management and Landlord services are expected to underspend by £1.0m, a £0.1m increase from Period 6. A provision of £0.5m to meet the cost of the High Value Vacant Homes Levy is not required, following its deferral. There are also savings of £0.5m through staffing vacancies alongside savings from co-locating neighbourhood housing offices through the Transforming Neighbourhood Services review. Expenditure on fuel for the District Heating system is expected to be £0.3m lower than the budget. Income from the administration charge on Right to Buy Applications is forecast to exceed the budget by £0.2m. Offsetting these are unbudgeted costs of £0.2m in relation to shops management, alongside an additional £0.1m security costs for tower blocks and £0.1m of CCTV savings that will not be delivered until 2018/19.

Adult Social Care

12. Adult Social Care

12.1. The department is forecasting to spend £5.7m less than the budget of £105.7m. £5m of this is required to meet budget pressures elsewhere in the Council and to protect the authority's position in 2018/19. The saving is expected to be one-off, and the growth in the 2018/19 budget for adult social care will continue to be above the additional sums raised through the adult social care precept.

12.2. The current forecast under-spend (which has increased since the half year forecast) is *one off* in nature and as a result of successfully managing to make planned savings ahead of the original budget plan. Staffing savings contribute £2.7m to the overall underspend and of this, £1.2m is permanent staffing savings made ahead of schedule in Care Management and Enablement. There are further staffing savings of £1.5m either where vacancies are being held in advance of having to make further permanent savings next year (in Care Management) or where posts have not been filled for the full year following previous service reviews (in Commissioning and Contracts and Enablement).

12.3. Staffing reductions delivered in 2017/18 and early savings related to further planned staffing reductions brought forward from 2018/19 have been underpinned by a significant programme of service redesign and in changing the way practitioners in the Department work. The department has focused on reducing the transactional burden on practitioners; streamlining our processes of assessment, support planning and review; focusing on proportionate processes, where we aim to reduce the 'customer journey' down to the most effective and least intrusive way of delivering the required outcome. There has also been a focus on ensuring that practitioners are supported effectively in making difficult and complex decisions; working creatively to seek alternatives to long term support where other support services can meet need; and are supported by a robust risk management process and management support. Staff within the Department have also embraced new technology and mobile working, maximising the use of time, reducing travel and the need to 'return to base' to complete case file updating and accessing the client database. All of this has ensured that as the demand and complexity of case work that the Department handles increases, we have been able to manage a planned reduction to date of 15% of our assessment staffing without adverse impact. As we complete our planned staff savings in 2018/19 we will continue to support those staff that remain with further changes and smarter working practices that will mitigate against adverse impacts for both them in terms of workload and for our customers in terms of the overall customer experience. Throughout the period of delivering these planned savings in staffing, productivity has increased and the overall service user experience, as measured by our local and national indicators, has improved.

12.4. Care management and related staffing costs are targeted to reduce by £2.3m from 2019/20 and we have now identified £1.3m in 2017/18 from voluntary redundancies and deletion of vacant posts against a target this year of £0.85m.

12.5. The remaining one off forecast underspends of £3m (being £5.7m less the £2.7m staffing savings highlighted above) includes £1.3m from closing the Kingfisher intermediate care centre (which has been replaced with a contract let for 12 beds with two independent sector providers), a year ahead of schedule. The balance of £1.7m arises mainly from other one off budget savings; from additional income from the CCG for health funded service users at Hastings Road, a slower take up than anticipated of the newly let floating support contract, and savings from non-statutory preventative contracts which have ended (in advance of the planned reductions in 2018-20)

12.6. In the year to date there has been no growth in net new service users apart from adult mental health cases which has seen a 6.8% increase (5.2% for the full year in 2016/17). We are still forecasting that overall annual growth across all service user types will be 1%, slightly less than the 1.2% seen in 2016/17.

12.7. The major issue for the service remains the increasing levels of need of our existing service users. This is still 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. The rate of increase has itself been 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. It is encouraging that the forecast rate of increase in 2017/18 at period 9 has not changed since the half year forecast was prepared.

12.8. 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.

12.9. The additional cost of the increasing needs has been mitigated to a significant extent for *this* year as a result of the impact of savings from planned reviews of care packages, a reduction in the provision for backdated package costs 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. As a result overall net package costs for this year are broadly in line with budget.

Health Improvement & Wellbeing

13. Public Health & Sports Services

13.1. The department is forecasting to spend £20.3m, £0.9m less than the budget of £21.2m (Public Health £18m and Sports Service £3.2m).

13.2. The Sexual Health service is forecasting to underspend by £0.4m against a budget £4.1m 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 need for appointments with service staff. It is predicted that this underspend will start to reduce in period 10 as a result in an increase in activity in the service.

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. This will accelerate the delivery of savings planned in this service.

13.4. The NHS health check programme is also forecast to underspend by £0.1m compared to a budget of £0.3m as a result of lower take-up in GP surgeries.

13.5. 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.

13.6. 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 continuing to see pressures in relation to placement and transport cost which total £3.5m. They will continue to be an issue in 2018/19.

14.2. The major issue remains the number of looked after children (LAC) which has reached 703 at the end of December compared to 660 at the end of March. There has been an increase in the number of agency foster placements as a result of breakdowns in internal placements and a shortage of our own foster carers. At the current level of LAC, placement costs will exceed the budget this year of £25.2m by £3.8m including the impact on home to school transport budgets of the higher LAC numbers.

14.3. Nevertheless there are a number of areas of work that should have an impact over time on placement costs including increasing the number of children returning to home or ‘stepping down’ from expensive residential placements as soon as possible. We have also begun a recruitment drive for internal foster carers to extend our current capacity to avoid these 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 should 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 £1.1m.

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 £0.8m from the new Central Services Block of the Dedicated Schools 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 £0.7m over the budget of £4.6m this year.

14.8. The overall budget pressure in the department totals £3.5m being principally the additional LAC costs and SEN transport costs net of the savings from Early Help and the Youth Service. This will be funded using the one off underspend in Adults in 2017/18. The reduction in the Education Services Grant will be dealt with using corporate resources as indicated above. Schools budgets for 2018/19 have now been set using the National Funding Formula which was agreed by the Executive in January. All schools will receive a 0.5% per pupil increase as a minimum in 2018/19 as a result of the changes, with others gaining up to a maximum of 2.78% per pupil. The total schools funding provided to the LA will increase by 2% compared to the current arrangements on a like for like basis.

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 are still in the process of reviewing 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), Tourism, Culture & Inward Investment (£381k), Community Capacity (£62k). Together these total £3.5m, and will reduce the reserves required to balance the 2017/18 budget. (making more reserves available for future budgets-the managed reserves strategy).