
Executive Decision- Revenue Budget Monitoring Outturn 2023/24

Overview Select Committee

Decision to be taken by: City Mayor

Date of decision: 31 July 2024

Lead director/ officer: Amy Oliver, Director of Finance

Useful information

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

1. Summary

This report is the final one in the monitoring cycle for 2023/24 and reports performance against budget for the year.

The final outturn for the year is a £1.7m underspend against budgets; this includes some one-off income items and does not fairly represent the significant financial pressures the Council is facing.

Cost pressures in the year totalled some £24.6m, more than offset by £26.3m of underspends and additional income received in year, but that cannot be relied on to support future budgets. The corporate contingency of £3.6m was not required and is also included in the final outturn position.

The £24.6m of cost pressures consist mainly of:

- £14.2m in Education and Children's Services, of which £11.3m relates to increased costs of children looked after, where placement costs remain high, although the number of placements has stabilised;
- £6.2m in support to homeless households (a gross pressure of £7.8m, offset by additional grant funding)
- £2.5m additional costs of the local government pay award over and above the budget provision.

These cost pressures have largely been met from one-off departmental reserves, allowing the balance available for the managed reserves strategy to be maintained.

The £26.3m of savings consist mainly of:

- Adult social care spend £6.5m below the increased budget for 2023/24, following significant change and improvement work designed to reduce people's need for formal care, social work assessment, and commissioning practice;
- Underspends of £4.2m in Education and Children's Services, relating to staffing vacancies and additional grant income;
- A £4m saving on capital financing costs, due to higher interest rates and cash balances remaining higher than budgeted;
- A £2.6m lower cost of energy compared to the budget provision;
- The corporate contingency of £3.6m not being required.
- Net underspends totalling £1.5m in corporate budgets.

Given the exceptionally severe financial outlook, budget savings are being sought on an ongoing basis. Management action has been identified resulting in savings of £0.5m per year (by 2027/28), which can be approved now. Details are in Appendix C.

This report also seeks approval to restructure earmarked reserves as set out in Appendix D. Reserves formerly managed by individual departments have been reviewed and, where not ring-fenced for a specific purpose, transferred to corporate reserves. This will assist us to deal more flexibly with the looming budget crisis after 2024/25. In the short term, however, they will be kept to one side to meet any outstanding commitments.

The outturn has added to the one-off money available to support future budgets. This is because budget pressures have in the main been absorbed by departmental reserves set up or redirected for this purpose, whilst savings have supported corporate reserves. Disregarding the former earmarked reserves, the managed reserve now stands at **£91m** of which £61m is required to balance the 24/25 budget unless additional savings are achieved. The managed reserves balance also includes the surplus from the business rates pool. This means that, all other things being equal, the emergency reserves balance will no longer be required in 24/25 (as had been expected in February). The future position remains extremely critical and budget planning for 2025/26 has already commenced. This is recognised by Grant Thornton in their latest Auditor's Annual Report (the Value for Money report) presented to the Governance & Committee on 18 April 2024.

The overall balance of departments' earmarked reserves has now dropped substantially, in part from having reclassified those reserves which represent grant given with specific expectations. The remaining departmental reserves stand at **£21m**, with a further £15m **reclassified** as ringfenced, compared with **£52m** at 31 March 2023. This figure does not include the balance on the Dedicated Schools Grant reserve which has a negative balance of £9.7m. Negative DSG reserves is a national problem (indeed many other authorities have a significantly higher negative balance). For the time being, we are required to "ringfence" this balance and not charge it to the general fund.

2. Recommended actions/decision

2.1 The Executive is recommended to:

- Note the outturn position detailed in the report.
- Approve the transfers between departmental budgets and reserves requested in Appendix B, including the council's share of the rates pool surplus;
- Approve the reductions to budgets described in Appendix C, and delegate authority to the Director of Finance to determine the specific budget ceilings affected.
- Transfer departmental reserves which do not consist of unspent grant (or for which there are obligations to third parties) to managed reserves as discussed in Appendix D;
- Delegate to the Director of Finance authority to use these sums for the purpose for which they are currently held, if necessary;

- Note that the sums transferred will be reviewed during 24/25, with a view to releasing money to support the budget strategy.

2.2 The OSC is recommended to:

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

3. Scrutiny / stakeholder engagement

N/A

4. Background and options with supporting evidence

The General Fund budget set for the financial year was £382.7m, before the use of managed reserves. Following savings identified since the budget was set, including the savings identified in a report to OSC on 9th November, this has been updated to £379.2m.

- Appendix A summarises the original budget, current budget and outturn spending in 2023/24.
- Appendix B provides more detailed commentary on the outturn position for each area of the Council's operations.
- Appendix C summarises the savings that have been identified and budget reductions can now be actioned.
- Appendix D sets out the Council's earmarked reserves and proposed changes.

5. Detailed report

See appendices.

6. Financial, legal, equalities, climate emergency and other implications

6.1 Financial implications

This report is solely concerned with financial issues.

6.2 Legal implications

This report is solely concerned with financial issues.

6.3 Equalities implications

Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to eliminate unlawful discrimination, harassment and

victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't. It is important to note that currently no policy changes have been proposed but the possibility remains that the Council may need to consider changes to existing services going forward. If this is the case, the Council's equality impact process should be used to evaluate the potential equalities impact of any proposed changes.

Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. There are no direct equality implications arising out of this budget monitoring report.

Equalities Officer, Surinder Singh, Ext 37 4148

6.4 Climate Emergency implications

There are no climate emergency implications directly associated with this report, as it is a budget monitoring report and is solely concerned with financial issues.

Aidan Davis, Sustainability Officer, Ext 37 2884

6.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

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

7. Background information and other papers:

Report to Council on the 22 February 2023 on the General Fund Revenue budget 2023/24.

Period 3 Monitoring report presented to OSC on 20 September 2023

Budget Savings report presented to OSC on 9 November 2023

Period 6 Monitoring report presented to OSC on 14 December 2023

Period 9 Monitoring Report presented to OSC on 11 April 2024

8. Summary of appendices:

Appendix A – Outturn (April 2023- March 2024) Budget Monitoring Summary

Appendix B – Divisional Narrative – Explanation of Variances

Appendix C – Budget savings to be approved

Appendix D – Earmarked Reserves

9. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

10. Is this a "key decision"? If so, why?

No

APPENDIX A

Revenue Budget at Outturn, 2023-24

Table A

| 2023-24 | Original Budget £000's | Current Budget £000's | Outturn £000's | Variance £000's |
|--|-----------------------------------|----------------------------------|---------------------------|----------------------------|
| Financial Services | 11,259.4 | 11,806.6 | 11,263.7 | (542.9) |
| Information Services | 10,791.9 | 11,072.7 | 11,721.8 | 649.1 |
| Corporate Services | 9,787.0 | 9,959.5 | 9,310.4 | (649.1) |
| Legal Services | 5,146.3 | 5,456.0 | 5,256.0 | (200.0) |
| Corporate Resources & Support | 36,984.6 | 38,294.8 | 37,551.9 | (742.9) |
| Planning, Development & Transportation | 14,294.7 | 16,625.4 | 16,618.7 | (6.7) |
| Tourism Culture & Inward Investment | 4,558.2 | 4,789.8 | 4,673.4 | (116.4) |
| Neighbourhood & Environmental Services | 36,214.9 | 39,875.8 | 40,503.7 | 627.9 |
| Estates & Building Services | 4,927.2 | 7,095.9 | 7,212.2 | 116.3 |
| Departmental Overheads | 575.8 | 582.4 | 572.7 | (9.7) |
| Housing Services | 4,634.9 | 4,974.8 | 11,196.7 | 6,221.9 |
| City Development & Neighbourhoods | 65,205.7 | 73,944.1 | 80,777.4 | 6,833.3 |
| Adult Social Care & Safeguarding | 170,181.8 | 175,802.7 | 168,196.5 | (7,606.2) |
| Adult Social Care & Commissioning | (18,061.4) | (22,336.4) | (21,236.0) | 1,100.4 |
| Sub-Total Adult Social Care | 152,120.4 | 153,466.3 | 146,960.5 | (6,505.8) |
| Strategic Commissioning & Business Support | 2,385.5 | 2,428.7 | 1,921.9 | (506.8) |
| Learning Services | 19,596.5 | 19,967.7 | 21,762.9 | 1,795.2 |
| Children, Young People & Families | 71,231.0 | 73,893.4 | 83,641.5 | 9,748.1 |
| Departmental Resources | 1,976.3 | 1,794.1 | 854.3 | (939.8) |
| Sub-Total Education & Children's Services | 95,189.3 | 98,083.9 | 108,180.6 | 10,096.7 |
| | | | | |
| Total Social Care & Education | 247,309.7 | 251,550.2 | 255,141.1 | 3,590.9 |
| | | | | |
| Public Health & Sports Services | 23,940.6 | 26,912.5 | 26,265.3 | (647.2) |
| | | | | |
| Total Operational | 373,440.6 | 390,701.6 | 399,735.7 | 9,034.1 |
| Corporate Budgets | 35,429.8 | 15,274.1 | 8,544.4 | (6,729.7) |
| Capital Financing | 2,292.1 | 2,292.1 | (1,618.4) | (3,910.5) |
| Total Corporate & Capital Financing | 37,721.9 | 17,566.2 | 6,926.0 | (10,640.2) |
| Public Health Grant | (28,448.1) | (29,064.8) | (29,169.2) | (104.4) |
| TOTAL GENERAL FUND | 382,714.4 | 379,203.0 | 377,492.5 | (1,710.5) |

NB Corporate Resources & Support management has been restructured, and budgets have been restated from previous monitoring reports

1.1 Changes since the original budget are summarised in the table below:

| | Total General Fund £000's |
|--|--------------------------------------|
| Original budget | 382,714 |
| Savings approved - Period 9 monitoring 22/23 | (1,113) |
| Savings approved - Outturn 22/23 | (1,216) |
| Savings approved - Period 3 monitoring 23/24 | (480) |
| Savings approved - OSC Report OSC 09-11-2023 | (683) |
| Savings approved - Period 9 monitoring 23/24 | (19) |
| Latest budget | 379,203 |

1.2 The original budgets split between employees, running costs and income are available at

<https://www.leicester.gov.uk/media/50bbavjj/budget-summary-2023-2024.pdf>

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department spent £38.3m, £0.7m less than the budget.

1. Finance

- 1.1. The Financial Services Division spent £11.3m, £0.5m less than the budget in the main due to vacant posts and additional income.

2. Corporate, Human Resources & Information Services

- 2.1. Taken together IS, HR, & other corporate services spent £21m as per the budget after the planned use of £0.2m of reserves.
- 2.2. The HR service spent £3.4m, £0.6m less than the budget as a result of vacancies across various areas together with additional traded income. Other corporate services spent £5.9m as per the budget with £0.2m of reserves being used to part fund the local election costs incurred in 2023. The IT service spent £11.7m, £0.6m more than the budget. The underspend in the HR service of £0.6m will be used to fund the IT overspend, to reduce the call on the reserve for new IT equipment.

3. Legal, Coronial and Registrars, Members and Democratic Services

- 3.1. Legal services spent £1.5m as per the budget. Members' and Democratic Services spent £1.8m, £0.2m less than the budget with lower member allowance expenditure than expected and vacancies within Governance Services.
- 3.2. Coronial and registrar services spent £0.7m as per the budget, after support from corporate budgets of £0.5m, as in previous years.

4. City Catering

- 4.1. New charging arrangements for schools were put in place by City Catering from August 2023 and there has also been an internal re-organisation of staffing. Both of these actions were undertaken to reduce the financial deficit the service incurred in 2022/23 of £1m. The actions were successful to an extent with the deficit in 2023/24 being £0.68m which will be funded from the school catering reserve.
- 4.2. The service continues to face significant financial challenges in 2024/25, with rising staffing and food costs and a requirement for further investment in IT and equipment. In order to break-even there would need to be a very significant increase in the charges to schools. Without this increase any deficit in 2024/25 over and above the remaining school catering reserve of £0.19m would fall to the City Council to fund.

City Development and Neighbourhoods

The department overspent by £6.8m on a net budget of £73.9m. This is a £0.5m deterioration from the forecast overspend of £6.3m reported at period 9. It is proposed that £2.8m of departmental reserves be used towards increased homelessness costs, reducing the overspend to £4m.

5. Planning, Development & Transportation

- 5.1. The division achieved a break-even position which was consistent with the forecast reported at period 9.
- 5.2. The income from both on-street and off-street parking income improved throughout the year and exceeded the income budget by £0.4m. In addition, a large number of permits were issued for utilities work which generated £0.2m more than the budget.
- 5.3. There was a £1.3m overspend on bus services, including supported bus services, park & ride, and bus station operations. This was compounded by a continued shortfall in income from bus lane enforcement. In addition, domestic transport strategy and other transport strategy have combined overspends of £0.6m. These overspends were fully offset by a £2.5m underspend on concessionary fares, as passenger numbers have remained lower than previously expected.
- 5.4. In a continuation of recent pressures, linked to wider economic factors, a reduction in the number of major planning applications being submitted led to an income shortfall of £0.5m. Although the amount charged per planning application (set nationally) rose in early December 2023, a significant improvement in overall income is not yet evident.
- 5.5. There are additional minor overspends across the division totalling a further £0.3m, resulting in an overall break-even position.
- 5.6. This report requests that £492k of government grant income is transferred to reserves to finance expenditure which will be incurred in future years.

6. Tourism, Culture & Inward Investment

- 6.1. The division has underspent by £100k, which is an improvement on the breakeven position forecast at period 9. This is attributable to De Montfort Hall which achieved a surplus through scheduling additional shows and from increased car parking and bar income.
- 6.2. This report requests that £319k is transferred to reserves, in respect of one-off monies previously set aside for events and grant funding for the UK Shared Prosperity Fund, for which expenditure will be incurred in future years.

7. Neighbourhood & Environmental Services

- 7.1. The division has overspent by £0.6m, similar to the forecast at Period 9.
- 7.2. A payment of £1.7m was received, relating to previous years, that had been in dispute with Biffa but has now been settled. This report proposes transferring this into reserves to support future costs of the waste contract re-procurement.
- 7.3. This report also requests that £49k is transferred to reserves relating to a number of grant-funded projects, including prison library services and smoking control.

8. Estates & Building Services

- 8.1. The division has overspent by £0.1m, an improvement from the overspend of £0.3m forecast at Period 9. There was a shortfall in income on the Corporate Estate of £0.7m due to the backlog of lease reviews, affecting both rent and service charge recovery. However, savings on vacant posts, particularly within Sustainability and Hard FM, have offset most of these pressures.

9. Departmental Overheads

- 9.1. This area holds budgets for added years' pension costs and departmental salaries and achieved a break-even position.

10. Housing General Fund

- 10.1. The number of homelessness presentations continues to add to the cost of temporary accommodation with homelessness services overspending by £7.8m. The increase since Period 9 reflects continued high demand and the need to pay increased nightly rates; as a result, housing benefit is covering a reducing proportion of these costs. The overspend will be partially funded by £1.5m of grants and £2.8m of reserves set aside for the purpose. Work continues to find longer-term resolutions to this nationally recognised issue.
- 10.2. This report also requests £692k of grant income relating to refugee resettlement and asylum seekers be transferred to reserves, with a further £71k of grant income for accommodation for ex-offenders.

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. The HRA has underspent by £2.3m compared to a £1.9m forecast underspend at period 9. It is proposed that £0.75m of this be used to support the capital overspend (reported in the capital monitoring report on your agenda) and the rest to be held in reserve to support

the future provision of affordable housing. Revenue is also used for capital spending, which is reported separately within the capital monitoring report.

- 11.2. Income from core rent and service charges was broadly on target for the year, other than for district heating, which is reported below. The budget set aside £0.5m for additional provision for bad debt, but only £0.1m of this was required, resulting in a surplus of £0.4m.
- 11.3. The Repairs and Maintenance service has overspent by £1.1m. Whilst vacant posts generated underspends of £1.4m, these were partially offset by the use of contractors, costing £1.1m. Materials and running costs added a further £1.1m of unbudgeted costs, particularly in voids where there is a continued focus on turning properties around. Reprioritising staff on this work has reduced income from capital charges by £0.3m. Separately, £1.2m of disrepair costs will be financed from reserves.
- 11.4. Management and Landlord Services underspent by £3.5m. The underspend arose on the District Heating scheme as a result of reductions to the price of gas and the introduction of metering. The extent of this has been offset by properties being subsidised for a longer period of time during the year.
- 11.5. The HRA makes contributions towards general fund activities as well as being charged for a fair proportion of the Council's overheads; these are £0.2m over budget due to inflationary increases. Movements in interest rates mean that the net interest payable by the HRA on its debt was £0.3m above budget.

Adult Social Care

12. Adult Social Care

- 12.1. Adult social care spent £147m, £6.5m less than the budget and £0.7m less than forecast at period 9.
- 12.2. Gross package cost budgets were increased by £32.9m from £160.7m in 2022/23 to £193.6m in 2023/24. Subsequently, £4.6m of this increase was not required in 2023/24.
- 12.3. The budget reflected net growth in numbers of people receiving adult social care of 4% overall, with 2% for older people and 7% for working age adults. Prior to the pandemic net growth in numbers of older people was rising steadily. There was then a net reduction in the first year of the pandemic 2020/21, followed by net growth in 2021/22 and a 1% net reduction in 2022/23.
- 12.4. Whilst the demand for care in 2023/24 as indicated by the number of requests for support has increased significantly (by around 20%) compared to the previous year for both the working age and older people cohorts, the rate at which these requests were converted into long term care support was lower for both cohorts.

- 12.5. In 2023/24 there was a net reduction in the number of older people receiving support of 3.4%, driven by a reduction in the number of new entrants (rather than higher numbers of leavers, with the proportion of leavers remaining at around 25% of the care population).
- 12.6. Net growth in the working age cohort was variable prior to the pandemic. In the first year of the pandemic 2020/21, net growth rose to 7% driven mainly by an increase in those adults with mental health issues. Growth remained at around 7% post the pandemic but in 2023/24, net growth reduced to 3.6%, half the budget. The reduction is driven mainly by lower numbers of new mental health cases this year which had previously grown to a significantly higher level in 2020/21. The lower growth saved £2.9m compared to the budget.
- 12.7. The growth in need of people with existing care packages drives significant cost increases and has been discussed in previous monitoring reports. The overall growth in need is determined by the proportion of those receiving care at the start of the year that have their package changed together with the level of average increase in that package. The proportion of people with package changes in 2024 is lower than the previous year at 37% (compared to 40%); however the average package increase is significantly lower at 15% compared to 22% last year. This reduction was driven mainly by the working age cohort. The impact of this means that the in-year financial impact of growth in need at £5.9m was close to the budget. This is encouraging because the budget assumption for growth in need was challenging. Significant work is being undertaken to meet this challenge and includes reviewing existing working practices and identifying best practice and embedding that across all social work teams together with increasing alternative non-adult social care provision to support increased needs. This includes change and improvement designed to reduce people's need for formal care, social work assessment, and commissioning practice.
- 12.8. The extent to which those funds received in the form of direct payments to cover care costs are not required and returned to the LA, varies from year to year and is difficult to budget for. £4.8m was received this year (in line with the forecast at period 9), £1.6m more than the budget of £3m. To set this in context, the annual cost of direct payments commissioned this year is £57.5m.
- 12.9. The items discussed in the above paragraphs together with the impact of in year adjustments to package costs that were in place at the start of the year and lower than expected backdated costs combine to result in a gross package spend which was £4.6m (2.4%) less than the budget.
- 12.10. The balance of the underspend comes mainly from higher than expected fee income from people contributing to the cost of their care and the level of joint funded income from the ICB, offset by some additional costs due to the closure in the year of the Hastings Road day centre and an increase in the provision for bad debts. The impact of annual package cost increases and changes to the cohort on fee income is difficult to budget for as it depends on the impact of individual financial assessments. Similarly,

the change in the number of eligible joint funded and section 117 funded cases from one year to the next is also difficult to budget for and therefore the general approach to this has been a prudent one when setting the budget.

Education and Children's Services

13. Education and Children's Services

- 13.1. The department spent £108.2m, £10.1m more than the budget, which will be funded using social care and education earmarked reserves on a one-off basis. As outlined in the period 9 report the overspend is mainly due to the cost of children looked after and other placements.
- 13.2. Social care has experienced a greater proportion of new high-cost placements than was anticipated in the budget, coupled with cost escalation through placement breakdowns and pressure from providers regarding fees, together with limited placement availability. In the 4 years from 2019/20 to 2022/23 average annual new placement costs reduced from £44k to £40k. In 2023/24 there has been a step change with average entry costs of £78k per annum, £38k more than the budget. The variation in entry costs around the mean has been significant from month to month ranging from £37k to £126k.
- 13.3. The increase is almost entirely a result of an increase in the proportion of new external residential placements (12.1% compared to 2.3% in 2022/23) and semi-independent placements (14.1% compared to 12.1% in 2022/23). This reflects a year in which the needs and complexity of those entering care has been exceptionally high.
- 13.4. Whilst unit costs have increased, there has been a net reduction of 6 in overall numbers of placements with a year-end total of 662. This net reduction of 6 includes an increase of 10 in unaccompanied asylum seeker children (UASC), taking the year-end total to 66; non – UASC placements have reduced by 16 since the start of the year, resulting in a year-end total of 596. The proportion of placements by age group at the year-end remains relatively consistent with last year in the 0-10 year age group, but with a 4% shift from the 11-15 year age group to the 16+.
- 13.5. The reduction in non-UASC overall placements is a result of reduced new entrants compared with previous years, with leaver numbers as a proportion of the overall placement population remaining consistent with previous years at 24%. The cost of short-term placements was high this year compared to previous years both in terms of numbers of placements and the cost of provision.
- 13.6. Total expenditure on placements including special guardianship orders totalled £49.7m, £11.3m more than the budget (£0.6m lower than the period 9 forecast).
- 13.7. The consultancy firm Impower have concluded their work which included an analysis of placements and the match between costs and assessed needs. This 'valuing care'

model has been applied to a large cohort of children in higher cost placements (182, 20% of the overall population), and has identified several cohorts of placements that continue to be the subject of targeted activity to address mismatches in cost versus level of need to generate savings. This work will take place alongside an extensive review of our internal resources (fostering and children's homes) to ensure that the capacity and resilience of these are maximised. The valuing care model will be expanded to cover all placements. Business cases will also be put forward for capital investment to expand our internal children's home resources over the next 5 years. A review of council resources deployed to prevent entry into care will also be completed with a view to refocusing/retargeting resources to have greater impact for those children and young people at greater risk of becoming looked after. A strengthening of the role of commissioning in sourcing placements will also take place and a tighter focus on contract management and capping cost inflation will be deployed to limit the impact of demands by providers for uplifts.

- 13.8. In addition to the £11.3m overspend from placement costs, there were a number of other over and under-spend items, as outlined below.
- 13.9. The pressure on the SEN home to school transport budget has continued this year, with overall spend £14.7m, £0.75m more than the budget and £1.4m more than the prior year. The average number of students with transport support including personal budgets has risen by 190 (13%) to 1,633. There were other cost pressures in the year including on the home to school and contact taxi transport budget for children looked after (£0.8m), an increased demand for disabled children's respite service (£0.5m) and more demand for legal and translation services for social care (£0.6m). New statutory guidance for local authorities effective from September this year means that the Education Welfare Service can no longer charge schools for the majority of its existing casework which whilst currently traded, will become a council statutory duty. This will cost an estimated £0.35m pa in a full year but £0.2m this year, for which no "new burdens" funding is being provided by the Government. These other non-placement cost pressures total some £3m.
- 13.10. The non placement overspends highlighted above were more than offset by underspends of £4.2m, with £3.6m of this as a result of staffing vacancies across a wide range of services including early help (in advance of reviews), special education service, commissioning, social care (31 agency social workers are being employed to cover vacancies) and in administration which continues to struggle with high staff turnover and difficulties in recruitment. There was also additional "Supporting Families" income of £0.6m with more families engaged with than budgeted.
- 13.11. The pressure on the high needs block (HNB) of the dedicated schools grant (DSG) continues, with the number of agreed education, health and care (EHC) plans at around 750 in the academic year 2022/23. In the 2023/24 academic year to February, numbers of agreed plans are 13% lower than in the equivalent period last year, whilst numbers of requests for plans have remained broadly similar, indicating no real reduction in

demand. The March numbers have had to be excluded from this analysis because of the IT difficulties.

- 13.12. The DfE increased the HNB allocation by £7.5m in 2023/24 to £79m. Total HNB expenditure was £85m resulting in an in-year deficit of £6m. The total number of pupils requiring support during the year was 3,821, an increase of 331 or 9.5% compared to 2022/23. Unit costs per placement increased by 3.3% on average, in line with the DfE operational guidance for 2023/24.
- 13.13. The cumulative DSG deficit of £6m at the start of the year has risen by £3.7m to £9.7m at the end of March 2024, with the £6m deficit in the HNB being offset by a surplus of £2.1m in early years' expenditure and a £0.2m under-spend in the schools' growth funding. The early years' block final funding allocation for 2023/24 will be determined by the DfE in July of this year based on take up at two census dates and therefore the final position on this block is subject to change.
- 13.14. The Council has been in discussion with the DfE through the ESFA (Education and Skills Funding Agency) about our draft deficit recovery management plan. The DfE recognised our issues with regards to increasing demand and acknowledged our approach to reducing this demand including through increasing inclusivity in mainstream schools and early intervention. Our initial draft plan is now being revised with the most recent forecast data, and the project plan is being finalised for presentation to the Executive for approval. This is an essential piece of work as the current response to the current level of demand is financially unsustainable. Moreover, the significant increases in HNB funding over the past 4 years (averaging over 10% pa), have come to an end, with only a 3% increase in 2024/25 and no plans to increase this in future years.
- 13.15. The Council is also part of the DfE's SEND and alternative provision (AP) change programme partnership (alongside Leicestershire and Rutland). These partnerships have been set up nationally and are being used by the DfE to develop, test and iterate reforms set out by the DfE in their SEND and AP improvement plan in March 2023. This work will continue in parallel with the work required for the deficit recovery plan.

Public Health and Sports Services

14. Public Health

- 14.1. Public Health spent £22.4m, £0.1m more than the budget. This is due to the impact of the (belated) 2022/23 NHS pay award on externally contracted services and is met from an increase in Public Health Grant.
- 14.2. The 2023/24 NHS pay settlement affecting external public health contracts has been finalised at 5%. This will be funded by the ICB as a one-off cost in 2023/24, so has no net impact on costs this year. The on-going cost will be funded by a permanent

additional allocation to the main public health grant and has been reflected in the 2024/25 budget.

15. Sports Services

- 15.1. Sports Services underspent by £0.8m reducing the net cost to the Council to £3.8m.
- 15.2. Income from leisure centres and facilities was £0.8m more than the budget of £6.7m. The increased income is a result of more members than last year, and a fee increase of 12% from May this year.
- 15.3. There have been in-year vacancies and difficulties in recruiting casual staff, with supervisors and general managers having to cover some shifts. This has resulted in an underspend on pay of £0.3m. This is offset by additional running costs of £0.1m including continued price pressure on consumables including chemical water treatments, building repair works and locker replacements.
- 15.4. Repair work has been carried out at Braunstone swimming pool in the final quarter of this year in the year, costing £0.2m. The repair cost was offset by lower than budgeted energy costs of £0.2m.

Corporate Items & Reserves

16. Corporate Items

- 16.1. The corporate budgets cover the Council's capital financing costs, items such as audit fees, bank charges, contingencies and levies. This budget has underspent by £10.6m.
- 16.2. As previously reported, the local government pay award averaged between 6% and 6.5% of pay, compared to a budget estimate of 5%. The cost of this exceeded the budget by £2.5m. Conversely, additional recharges to the HRA, as a contribution to overheads and functions that support both HRA and General Fund services, have generated an additional £0.8m of income to corporate budgets.
- 16.3. A saving of £2.6m was made on the provision for increased energy costs. Energy prices, while still high, have reduced globally since the budget was set. This saving has reduced since period 9 forecasts as a result of recalculated forecasts for some properties, and slower-than-expected rollout of metering for the district heating system which has limited the amount that could be charged to leaseholders.
- 16.4. The outturn includes income of £2.6m relating to a historic (pre-2018/19) sum due to the Council under an expired contract, which has now been received. In addition, various other provisions and contingency budgets have not been required in year and have resulted in an underspend of £0.8m.
- 16.5. The corporate contingency budget of £3.6m is also shown as saving, as other savings have been sufficient to meet identified overspends.

- 16.6. Housing Benefit budgets for the year are showing a £1.1m net cost. A large part of this is due to increasing costs for supported living arrangements, where the rent payable exceeds the amount that can be reclaimed in subsidy. These costs have been increasing in recent years. A subsequent review of the subsidy claimable has identified an additional £0.1m not included in these figures, which will be recognised in 2024/25.
- 16.7. Capital Financing costs for the year are £3.9m below budget, a £0.6m improvement since period 9 forecasts. The budget position improved during 2023-24 due to higher interest rates and slower than predicted falls in balances leading to better returns (the majority of our borrowing is on fixed rates and is not affected by interest rate variations in the short term). As we spend our reserves, however, interest received will fall and the improvement is expected to be only temporary.
- 16.8. As reported at period 9 monitoring, one-off amounts of unbudgeted additional grants have been transferred to reserves. This now totals £5.8m. The outturn also includes a further £6.2m distribution of the surplus from the rates pool, and this report seeks approval to transfer this to the managed reserves as part of the overall support for the future budget position.

Savings Identified

- 1.1 As members are aware, future funding outlooks remain bleak and work is ongoing to identify and make savings as soon as possible, which help reduce the scale of future deficits. Savings have been reported in previous monitoring reports and in a separate report to OSC in November and this process is ongoing.
- 1.2 Where savings are incidental or can be made through management action, it is proposed to continue our previous practice of seeking approval to budget adjustments through routine budget monitoring reports.
- 1.3 Approval is sought to make the following budget adjustments, which result from management action and an executive decision on 22nd March 2024:

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---------|------------|------------|------------|
| | £000's | £000's | £000's | £000's |
| <u>Corporate Resources & Support</u> | | | | |
| Additional income related to salary sacrifice schemes | - | 150 | 175 | 200 |
| Income from appointeeship service | - | 300 | 300 | 300 |
| Total savings | - | 450 | 475 | 500 |

Earmarked Reserves**1. Summary**

- 1.1. Earmarked reserves represent sums set aside for specific purposes. This is in contrast to the annual revenue budget, which exists to support the Council's day-to-day operations. Reserves are however increasingly being used to mitigate future budget pressures.
- 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 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. Given the extremely difficult financial situation, earmarked reserves have been reviewed to separate amounts arising from grants and other contributions, where there is a commitment to a third party that means the funds cannot realistically be used for other purposes; and other reserves. This will involve the transfer of £33m from other reserves to corporate reserves; the remaining departmental reserves are those regarded as ring-fenced. In the short term, £18m of the transferred amount will be kept separate within corporate reserves – over time, the amount not needed will be available for future budgets.

2. Schools reserves

- 2.1 The following reserves are ringfenced for schools;

| 2023-24 | Balance at 31st March 2023 | Total in Year Transfers | Balance at 31st March 2024 |
|--|---|------------------------------------|---------------------------------------|
| | £000 | £000 | £000 |
| not delegated to schools | (5,993) | (3,655) | (9,648) |
| of Balances | 31,156 | (10,441) | 20,715 |
| of Capital Fund | 2,417 | (2,417) | - |
| of Catering | 871 | (678) | 193 |
| Total School Ring Fenced Reserves | 28,451 | (17,191) | 11,260 |

- 2.2 Dedicated Schools Grant not delegated to schools is principally for spending on the High Needs Block. This has a negative balance which has continued to increase in the 2023/24 financial year as the grant allocation for SEND provision from the Government fails to keep pace with significant year on year increases in demand and hence expenditure. The Council is working with the Government to seek resolution – this is a national issue with the majority of local authorities in a similar position, many much worse than us.

- 2.3 School balances are the cumulative reserves of all the Council's maintained schools. The in-year reduction is the result of schools converting to academy status, at which point their balances are transferred to the academy trust.
- 2.4 School Capital funds are transfers of revenue funding made by a small number of individual schools to pay for future capital works.
- 2.5 Schools Catering is exclusively used by the Council's in-house catering service to invest in this provision and to offset cost increases in the short term. This reserve has been largely exhausted due to the deficit incurred in 2023/24,

3 Other earmarked reserves

3.1 Other earmarked reserves have been reviewed and are set out below:

| 2023-24 | Balance at 31st March 2023 | Total in Year Transfers | Restatement of reserves | Balance at 31st March 2024 |
|---|----------------------------|-------------------------|-------------------------|----------------------------|
| | £000 | £000 | £000 | £000 |
| <u>Ring Fenced Resources</u> | | | | |
| Education & Skills Funding agency Learning Programmes | 887 | (112) | - | 775 |
| Arts Council National Portfolio Organisation Funding | 188 | 8 | - | 196 |
| NHS Joint Working Projects | 19,039 | 2,048 | (7,970) | 13,117 |
| Social Care Projects | - | - | 5,825 | 5,825 |
| Health & Wellbeing Projects | - | - | 3,822 | 3,822 |
| Housing Projects | - | - | 1,685 | 1,685 |
| Other City Development & Neighbourhoods Projects | - | - | 3,728 | 3,728 |
| Covid-19 Collection Fund Compensation/Grants | (3,280) | 4,747 | (1,367) | 100 |
| Total Ring Fenced Resources | 16,834 | 6,691 | 5,723 | 29,248 |
| <u>Corporate Reserves</u> | | | | |
| Managed Reserves Strategy (see note) | 65,828 | (7,656) | 33,389 | 91,561 |
| Capital Programme Reserve | 103,043 | (101) | - | 102,942 |
| BSF Financing | 9,160 | (5) | - | 9,155 |
| Insurance Fund | 6,159 | (811) | (1,500) | 3,848 |
| Severance Fund | 4,723 | - | - | 4,723 |
| Service Transformation Fund | 5,170 | - | - | 5,170 |
| Welfare Reserve | 2,116 | 48 | - | 2,164 |
| Anti- Poverty Reserve | 2,772 | - | (989) | 1,783 |
| Total Corporate Reserves | 198,971 | (8,525) | 30,900 | 221,346 |
| <u>Other Reserves</u> | | | | |
| Financial Services Reserve | 4,432 | - | (4,432) | - |
| ICT Development Fund | 10,480 | (28) | - | 10,452 |
| Elections | 2,440 | (193) | (435) | 1,812 |
| Ward Committees | 52 | 44 | - | 96 |
| Housing | 4,605 | 262 | (4,867) | - |
| City Development (Excl Housing) | 11,482 | 2,704 | (14,186) | - |
| CHP Project | 2,259 | 215 | (2,474) | - |
| Social Care Reserve | 10,938 | 2,346 | (13,284) | - |
| Health & Wellbeing Division | 4,945 | 328 | (5,273) | - |
| Other Departmental Reserves | 464 | - | 8,328 | 8,792 |
| Total Other Departmental Reserves | 52,097 | 5,678 | (36,623) | 21,152 |
| Total (non-schools) Reserves | 267,902 | 3,844 | - | 271,746 |

Note: Of the Managed Reserve balance, £18m is being held for departmental commitments and cannot be released to support the budget.

- 3.2 **Ring-fenced reserves** represent amounts held by the Council but for which we have obligations to other partners or organisations. They include:
- **NHS Joint Working Projects:** the government has provided funding for joint working between adult social care & the NHS.
 - Other amounts have been reclassified from departmental reserves where they represent unspent grants or where there are other obligations associated with the receipt of funds.
- 3.3 Corporate reserves are those held for purposes applicable to the organisation as a whole and not any specific service and are administered corporately.
- **Managed Reserves Strategy:** a key element to delivering our budget strategy as set out in the budget report for 2024/25; £61m is committed to fund the 2024/25 budget. A further £18m is being held towards other spending commitments, pending review, and cannot be released to support the budget at this stage. Without further savings, managed reserves will run out in 2025/26.
 - The **Capital Programme Reserve** supports approved spending on the Council's capital programme. This includes £7m that is not allocated to specific projects and has previously been identified as available to support the budget.
 - **Covid-19 Business Rates Reserve:** This reserve arises due to timing differences on statutory accounting. It does not affect services and will be reversed in 2024/25. This is due to the timing of government grant in relation to the collection fund, which will be resolved in future years through the collection fund surplus or deficit.
 - **BSF Financing:** to manage costs over the remaining life of the Building Schools for the Future scheme and lifecycle maintenance costs of the redeveloped schools.
 - **Insurance Fund:** to meet the cost of insurance claims: nearly all our costs are met from this fund. Following further review, £1.5m is proposed to be released to support the budget strategy.
 - **Severance Fund:** to facilitate ongoing savings by meeting the redundancy and other termination costs arising from budget cuts.
 - **Service Transformation Fund:** to fund projects which redesign services enabling them to function effectively at reduced cost.
 - **Welfare Reserve:** this reserve provides support for welfare reform and welfare support more generally.
 - **Anti-Poverty Reserve:** this reserve will continue to support the Anti-Poverty Strategy.
- 3.4 The remaining departmentally managed reserves are held for specific purposes and include:
- **ICT:** rolling funds for network and server upgrades, critical infrastructure, cyber security measures, mobile airtime and upgrade of PC and laptops, as well as costs related to increased remote and agile working.
 - **Elections:** to fund local and mayoral elections.
 - **Other Departmental Reserves** includes an amount likely to be required to support contract procurement.