
Executive Decision- Revenue Budget Monitoring April-June 2024/25

Overview Select Committee

Decision to be taken by: City Mayor

Decision to be taken on: 26 September 2024

Lead director/officer: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Kirsty Cowell
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- Report version number: 1

1. Summary

This report is the first in the monitoring cycle for 2024/25 and provides early indications of the significant financial pressures the Council is facing this year, with a forecast net overspend of £8.8m. It also provides an update on progress to control costs in demand-led social care budgets.

Cost pressures continue in other service areas, of which the most significant are:

- Rising costs of temporary accommodation leading to a forecast £8m overspend, over and above significant growth and contingency funds built into the budget (see paragraph 9)
- Costs of SEN home to school transport and respite payments for disabled children are forecast to overspend by £2.6m.

It is positive to note the transformation work in adult social care has meant that previous trend rates of ongoing growth used in the original budget assumptions could be revised downwards. As a result of this, together with one off savings and additional income along with adjustments to the budget due to the underspend in 2023/24, overall savings of £17.1m have been identified. In addition, a large part of the demographic growth contingency is unlikely to be required, meaning that the total proposed budget reduction as a result of this report is some £23.1m.

It is also positive to note Education and Children's Services are currently looking to bring the cost of looked after children (which has seen severe pressures in recent years) within budget for the year. Overall, Education and Children's services are reporting a net overspend of £1.1m once considering vacancies within the division.

A one-off VAT refund of £6.8m has been received relating to a historical claim, and this report proposes transferring it to managed reserves to support the budget strategy.

2. Recommended actions/decision

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report.
- Approve the budget adjustments, totalling £17.1m, relating to social care described in section 8 and for the in-year underspend to be utilised to reduce support required from the Managed Reserves Strategy, and delegate authority to the Director of Finance to determine the specific budget ceilings affected.
- Approve a £6m reduction to the demographic pressures contingency (see para. 15.2)
- Approve the transfer of one-off resources to the Managed Reserves Strategy as described in paragraph 15.6.

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 £429.0m, before the use of managed reserves. Following savings identified since the budget was set, this has been updated to £428.4m.

Appendix A summarises the original budget, current budget and anticipated spending in 2024/25.

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

Appendix C summarises the latest forecasts for managed reserves.

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

5.1 Financial implications

This report is solely concerned with financial issues.

Signed: Catherine Taylor, Financial Strategy Manager

Dated: 28 August 2024

5.2 Legal implications

This report is solely concerned with financial issues.

Signed:

Dated:

5.3 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 assessment process should be used to evaluate the potential equalities impact of any

proposed changes. The aforementioned cost pressures and ongoing identified savings should take into account equality considerations.

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.

Signed: Equalities Officer, Surinder Singh, Ext 37 4148

Dated: 15 August 2024

5.4 Climate Emergency implications

There are no climate emergency implications directly associated with this report, as it is a budget monitoring report.

However, where proposals are brought forward to make additional savings required, any climate emergency implications should be considered and addressed while proposals are being developed and should be identified in the appropriate decision reports at the time. The Sustainability service may be able to help departments with assessing implications as part of the evaluation of proposals ahead of report preparation.

Where any necessary capital funding can be identified or secured, the potential role of invest-to-save energy efficiency and renewable energy projects in helping to address revenue budget pressures while also reducing carbon emissions is also worth noting.

Signed: Aidan Davis, Sustainability Officer, Ext 37 2284

Dated: 14 August 2024

5.5 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.

6. Background information and other papers:

Report to Council on 21 February 2024 on the General Fund Revenue budget 2024/25.

Revenue Outturn Report presented to OSC on 31 July 2024

7. Summary of appendices:

Appendix A – Period 3 (April-June) Budget Monitoring Summary.

Appendix B – Divisional Narrative – Explanation of Variances.

Appendix C – Updated reserves position.

8. 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

9. Is this a “key decision”? If so, why?

Yes – recurrent savings in excess of £0.5m.

Revenue Budget at Period 3 (April – June) 2024-25

Table A

2024-25	Original Budget £000's	Current Budget £000's	Forecast £000's	Variance £000's
Financial Services	12,167.3	10,643.8	10,643.8	0.0
Information Services	11,062.7	11,064.2	11,704.8	640.6
Corporate Services	7,534.0	9,714.4	9,073.8	(640.6)
Legal Services	6,309.6	5,705.5	5,705.5	0.0
Corporate Resources & Support	37,073.6	37,127.9	37,127.9	(0.0)
Planning, Development & Transportation	14,251.3	15,606.2	15,593.7	(12.5)
Tourism Culture & Inward Investment	3,801.1	4,230.2	4,072.9	(157.3)
Neighbourhood & Environmental Services	38,456.4	42,193.3	42,191.7	(1.6)
Estates & Building Services	4,397.7	5,515.3	6,306.0	790.7
Departmental Overheads	582.4	582.4	582.4	0.0
Housing Services	15,098.6	21,146.1	29,143.9	7,997.8
City Development & Neighbourhoods	76,587.5	89,273.5	97,890.6	8,617.1
Adult Social Care & Safeguarding	196,402.1	183,811.0	186,015.5	2,204.5
Adult Social Care & Commissioning	(22,989.5)	(27,780.9)	(30,623.4)	(2,842.5)
Sub-Total Adult Social Care	173,412.6	156,030.1	155,392.1	(638.0)
Strategic Commissioning & Business Support	2,428.7	2,388.3	2,294.2	(94.1)
Learning Services	21,967.7	22,133.0	24,334.9	2,201.9
Children, Young People & Families	89,413.2	89,251.2	88,398.6	(852.6)
Departmental Resources	1,794.1	1,434.1	1,292.1	(142.0)
Sub-Total Education & Children's Services	115,603.7	115,206.6	116,319.8	1,113.2
Total Social Care & Education	289,016.3	271,236.7	271,711.9	475.2
Public Health & Sports Services	24,965.6	22,882.9	22,882.9	0.0
Total Operational	427,643.0	420,521.0	429,613.3	9,092.3
Corporate Budgets	29,089.2	12,485.2	13,140.2	655.0
Capital Financing	2,118.0	2,118.0	1,122.0	(996.0)
Total Corporate & Capital Financing	31,207.2	14,603.2	14,262.2	(341.0)
Public Health Grant	(29,832.1)	(29,832.1)	(29,832.1)	0.0
TOTAL GENERAL FUND	429,018.1	405,292.1	414,043.4	8,751.3

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

	Total General Fund £000's
Original budget	429,018
Savings approved - Period 9 2023/24	(621)
Latest Budget	428,397
Changes proposed in this report	(23,105)
Revised Budget	405,292

1.2 The original budgets split between employees, running costs and income are available at: [2024/25 Budget Summary \(leicester.gov.uk\)](https://www.leicester.gov.uk/2024/25-Budget-Summary)

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department is forecasting to spend £37.6m, £0.5m more than the budget. The overspend relates entirely to City Catering.

1. Finance

1.1. The Financial Services Division is forecasting to spend £10.6m as per the budget.

2. Corporate, Human Resources & Information Services

2.1. Taken together IS, HR, & other corporate services are forecasting to spend £20.8m as per the budget after the planned use of reserves.

2.2. The HR service is forecasting a £0.6m underspend, resulting from vacancies across various areas together with additional traded income. This underspend of £0.6m will support Information Services to reduce the call on reserves for new IT equipment.

2.3. The forecast takes account of the planned use of reserves for Information Services (to fund new equipment) and Electoral Services following the Police & Crime Commissioner (PCC) election in May 2024 and the general election in July 2024.

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

3.1. Legal Coronial and registrar services are forecasting to spend £5.7m as per the budget.

3.2. Coronial and registrar services are forecasting to spend £0.4m as per the budget, after support from corporate budgets of £0.4m, as in previous years.

4. City Catering

4.1. The City Catering Services is forecasting to spend £0.5m more than the budget after using £0.2m of the school catering reserve.

City Development and Neighbourhoods

The department is forecasting to spend £97.9m, some £8.7m above budget, after the use of the corporate provision towards homelessness costs. Most of this is arising from increasing temporary accommodation costs. The position for each division is as follows:

5. Planning, Development & Transportation

- 5.1. The division is forecasting to spend £15.6m resulting in a breakeven position by year end.
- 5.2. Government funding via the BSIP (Bus Service Improvement Plan) grant has helped to maintain a high level of tendered bus service provision and to support other bus-related measures such as Park and Ride. The expenditure on concessionary fares is forecast to be significantly higher than last financial year, due to higher amounts payable to bus operators arising from an updated concessionary fares calculation model being issued by central government. However, the expenditure is still expected to be £1.0m under budget.
- 5.3. The income from on-street parking has shown a continued improvement, although the forecast for off-street parking is currently £0.4m below budget. In a continuation of recent pressures, linked to wider economic factors, a reduction in the number of major planning applications being submitted has led to a predicted income shortfall of £0.7m. This is partially offset by under-spends within the planning service, principally on salaries due to the level of current vacancies.

6. Tourism, Culture & Inward Investment

- 6.1. The division is forecasting to spend £4.1m, resulting in a £0.1m underspend by year end.
- 6.2. Markets are currently anticipating a shortfall in income of £0.2m whilst development works continue to the central market area. This however has been offset by a £0.2m underspend for De Montfort Hall due to increased takings from operating at higher margins and expanding the range of shows offered. There is a further £0.1m of underspend across the division due to vacant posts.

7. Neighbourhood & Environmental Services

- 7.1. The division is forecasting to spend £42.2m resulting in a breakeven position anticipated by year end.
- 7.2. Regulatory services have a forecasted overspend of £0.1m due to shortages in staffing reducing the generation of building control income; to mitigate this, an external contractor has been sought but this has increased running costs considerably. There is however a £0.1m underspend expected within waste management due to trend analysis suggesting that variable costs within the PFI contract will be slightly less than budgeted.

8. Estates & Building Services

- 8.1. The division is forecasting to spend £6.3m, resulting in a £0.8m overspend by year end, with the entirety of the overspend within the corporate estate.
- 8.2. There are £0.4m of extra staffing costs being incurred to support ongoing lease reviews which will, in time, lead to the generation of additional income.
- 8.3. Due to the age of the properties within the portfolio, there have also been increased unexpected repairs of £0.1m to retain the estate's viability.
- 8.4. Whilst debt within the portfolio is proactively managed, £0.2m of additional bad debt write-off has been required during the year. There are other small pressures relating to energy costs and building cleaning, work is ongoing to manage these within the current financial year.

9. Departmental Overheads

- 9.1. This area holds budgets for added years' pension costs and departmental salaries. This is forecast to break even.

10. Housing General Fund

- 10.1. The division is forecasting to spend £29.1m, which is an anticipated £8m overspend by the end of the financial year. This is including use of the £6m provision in the budget for 2024/25.
- 10.2. As previously reported, increased costs of provision for homeless households are a national issue. The increased presentations of homelessness cases in the city continues to add financial pressure to the service due to grant funding and housing benefit being insufficient to cover the rising costs of temporary accommodation. A further £10.6m budget was allocated for 2024/25 to ease the burden in this area, however costs are expected to hit £22m for temporary accommodation.
- 10.3. Actions are already being taken to mitigate these pressures – it is estimated that the overspend would have been around £13m without any mitigating action. Frequent reviews of this area are being undertaken and further work is continuing to find longer-term resolutions to this nationally recognised issue.

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 is forecast to breakeven for the year. Revenue is also used for capital spending, and this is reported separately within the capital monitoring report.

- 11.2. Income from core rent and service charges is expected to be on target for the year.
- 11.3. The Repairs and Maintenance service is forecast to overspend by £0.4m. Whilst there are vacant posts generating underspends of £0.8m, these are partially offset by the use of contractors to complete asbestos remedial works, costing £0.4m. There have been increased disrepair claims and associated costs driven by law firms before the introduction of fixed recoverable costs. This will create a pressure of around £0.8m stemming from increasing legal fees and associated contractor repair costs; however, an alternative process is currently being developed to negotiating with tenants directly in the hope of reducing the burden of legal fees.
- 11.4. Management and Landlord Services are expected to underspend by £0.4m. A £0.4m underspend is expected due to vacancies within administrative support services. A reduction in the forecast number of property sales through Right to Buy will reduce income to fund the administration cost by £0.2m. However, this has been offset by a £0.2m saving relating to IT system development, as some modules are now not being implemented until the next financial 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 expected to be on budget for the year.

Adult Social Care

12. Adult Social Care

- 12.1. A review of the adult social care budget required for 2024/25 has taken place in the light of the impact of extensive transformation work done by the service to reduce costs. The original budget assumptions were based on the trend rates of growth in numbers requiring statutory care seen prior to the impact of this work. As detailed below, the transformation work means that the original budgeted growth can be reduced by £6.3m. Whilst this is good news it should not detract from the fact that there is still a substantial increase of £16.7m in care package costs included in the revised budget, the majority of which relates to fee increases due to the increase in national living wage.
- 12.2. In addition to the change in budget assumptions outlined above, the review has also taken into account the one-off impacts of the 2023/24 out-turn and the revised market sustainability and discharge grants for 2024/25 together with adjusting the budgets for fee income and joint funding income from the ICB. To put the changes outlined below in context, the current net departmental budget is £173.2m, and gross package costs are £219m.

- 12.3. The service has made significant progress towards its target of reducing the number of new people each year by finding alternatives to providing formal care, despite a continued increase in the requests for support. As a result, the assumptions on net growth for 2024/25 have been reduced from 2% to 0% for older people and from 7% to 5% for the working age cohort. Together with the impact of the lower than budgeted growth in 2023/24 on 2024/25, this means that the current budget for 2024/25 can be reduced by £6.3m.
- 12.4. The underspend on package costs reported in 2023/24 means that the current budget for 2024/25 can be reduced by a further £4.5m.
- 12.5. The upward revisions to the expected income from fees, the level of joint funded income and the larger than expected discharge grant and market sustainability fund for 2024/25 means that the departmental budget can be reduced by a further £6m.
- 12.6. In total therefore this report is recommending that the adult social care budget be reduced by £16.8m from £173.2m to £156.4m.
- 12.7. The ICB are using their discharge fund to pay for the cost of community-based beds which are used to expedite the discharge of patients from hospital beds and provide a facility in which they can be assessed in terms of potential future care needs and where therapeutic provision can be applied. This provision has replaced our former intermediate care beds and as a result the associated budget can be reduced by £0.3m.
- 12.8. The year-to-date net growth in numbers requiring care align with the revised budget assumptions outlined in paragraph 12.2 above. Significant progress was seen in 2023/24 regarding reducing the cost impact of growth in need. The target reduction budgeted for in 2024/25 is more stringent. This forecast continues to assume that the target will be met but we are only 3 months into the financial year, and this will continue to be closely monitored.
- 12.9. There continues to be difficulties in recruiting full time social workers and social care practitioners. There are a number of vacancies across the care management teams and whilst agency staff are being used the overall impact of these vacancies to date leads to a forecast underspend of £0.6m.
- 12.10. In summary therefore the department is forecasting an underspend of £17.4m compared to the existing budget. Of this, £16.8m is recommended to be removed from the existing budget as outlined above, leaving a remaining forecast underspend of £0.6m. In addition to the £16.8m a further £0.3m can be taken from the budget giving a total reduction of £17.1m.

Education and Children's Services

13. Education and Children's Services

- 13.1. The services are forecasting to spend £116.3m, £1.1m more than the budget. The main areas of overspend relate to SEN home to school transport and direct payments to parents with disabled children for respite. Placement costs for children looked after are currently forecast as per the budget and there are vacancies across a number of services, some in advance of reviews, which offset to an extent the overspends mentioned above.
- 13.2. SEN home to school transport forecast expenditure is £17m, £2m more than the budget. Average passenger numbers using taxis was 891 in the first quarter and the forecast assumes further growth although it does not yet take into account the impact on unit costs of the current taxi re-procurement process which will need to be done for period 6. The numbers of pupils using buses and personal budgets remains fairly static at 574 and 205 respectively. The changes to post 16 SEN transport have been delayed with a further consultation taking place. The savings following these changes, if implemented, will have to be used in the first instance to offset the current overspends in the pre-16 cohort. There continues to be a net growth in pupils requiring SEND support mainly through EHC plans and it is this which is driving the growth in passenger numbers.
- 13.3. Direct payments to parents of disabled children for respite are forecast to increase again this year. Whilst the budget was increased for 2024/25 the cumulative impact of last year's increase and this year's forecast increase means that there is a budget shortfall of £0.6m with a forecast spend of £2.6m. A review of eligibility criteria will take place this year with a view to having a revised policy in place.
- 13.4. Looked after children and other placement costs are forecast as per the budget at £56m. There has been no net growth in the number of placements in the year to date. In 2023/24 the average new external placement cost was £78k per annum driven by a high proportion of complex/high needs children requiring residential placements. The £78k was unusually high as the average for the previous three years was only £41k. To date this year in 2024/25 the average new placement cost has been £47k, compared to £50k in the budget. Although we are only three months into the year and the situation remains potentially volatile this is encouraging as also is the low level of placement breakdown seen year to date.
- 13.5. The £2.6m overspend discussed above is offset by £1.5m due in the main to staffing vacancies across the department. Social care are carrying 32 vacant social worker posts offset by an equivalent number of agency staff. Administration vacancies remain high (25 posts out of an establishment of 117) in part in advance of the outcome of the children's centre consultation.
- 13.6. The cumulative DSG reserve deficit is £9.6m at the end of March 2024. In the last 4 years prior to 2024/25, the high needs block (HNB) allocation has increased by more than 10% each year. Demand for SEN support had already begun to outstrip the available resources long before these allocation increases began in 2020/21. Prior to

the period of increased allocations, the in-year deficit between grant allocation and expenditure was around £6m. The additional allocations helped offset future years' growth in demand and cost inflation, but the underlying deficit remained between £4.6m - £6m in each of the years 2020/21 – 2023/24. During that time the LA's DSG reserve has been run down and is now in deficit.

- 13.7. The years of significant increases to the HNB allocation ended in 2024/25 and there are no indications at this stage as to what will happen in the following years. The allocation was increased by 3.3% to £81.6m in 2024/25 and this has all been used to fund inflationary increases.
- 13.8. The number of requests for EHC plans in the academic year 2022/23 reached a record high of 990, with 756 agreed for assessment. The number of new plans agreed for statutory assessment in the academic year 2023/24 are forecast to be significantly lower at 560 which is good news. Nevertheless, such a reduction only makes the situation less financially unsustainable than would otherwise be the case, because the current funding levels are inadequate to pay for the level of expenditure on the total cohort of young people across all year groups that are now being supported. With effectively zero real terms growth in funding the in-year deficit increases significantly and is currently forecast to be £13.3m, taking the cumulative deficit at 31 March 2025 to £22.9m.
- 13.9. The service has put in place a whole range of strategies to mitigate the cost impact of the growth in demand for and complexity of SEN support as part of a deficit recovery plan. We are also part of the DfE's SEND and alternative provision change programme alongside Leicestershire and Rutland for East Midlands region.
- 13.10. The service will be meeting again with the DfE in August to discuss our current position. We are not currently in either of the DfE intervention programmes (delivering better value or safety valve). To put our position in context, the most recent comparative figures show that 100 LAs out of 152 had cumulative DSG deficits of £1.6bn at 31 March 2023. Our deficit of £6m at that date ranks us 64 places below the highest deficit of £118.8m and 35 places above the lowest deficit of £0.25m.

Public Health and Sports Services

14. Public Health

- 14.1. The Public Health Services is forecasting to spend £22.9m as per the budget.
- 14.2. The new contract for Sexual Health Service commenced from 1 April 2024 following re-tendering. The new arrangement is a city only contract as opposed to the LLR wide contract previously. The bulk of the old contract was based on activity & tariff driven whereas the new contract is now primarily based on block payments.

- 14.3. Public Health Services received £2.6m of additional government grants in 2023/24 and forecast to receive £6m in 2024/25 to allow further investment in specific services including Substance Misuse, Stop Smoking and 0-19 Children's.
- 14.4. The impact of 2023/24 NHS 5% pay settlement (Agenda for Change) in 2024/25 has been addressed and factored in the budget, affecting relevant external public health contracts.

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, contingencies and levies. This budget is currently forecasting an underspend of £0.3m, after adjusting the budget for the demographic pressures contingency.
- 15.2. Corporate budgets include a demographic pressures contingency of £8m. As described in section 12 above, significant work has been undertaken to control cost pressures in social care, and this report proposes reducing the contingency by £6m.
- 15.3. The budget is supported by grants from central government to reimburse the effect of centrally imposed reduction in business rates. A shortfall of £0.6m is expected on these grants, although the final position will depend on actual rates and reliefs granted throughout the year. Conversely, a £0.5m rates reimbursement has been received for rates reliefs on the vacant Greyfriars property.
- 15.4. The remaining variance is from coroners' costs, which are expected to exceed the budget by £0.4m, and bank charges, which have increased as more card payments are processed.
- 15.5. Capital financing costs are expected to be £1.0m below budget. £0.4m of this relates to interest receivable from the LLEP for economic development projects funded by prudential borrowing. The remaining underspend is largely the result of cash balances being higher than forecast at budget and interest rates remaining high, leading to increased interest receipts.
- 15.6. A refund of £6.8m has been received from HMRC after a successful challenge on the VAT treatment of sports income covering the period 1973 to 1989. Approval is requested to transfer this amount to managed reserves to support the medium-term financial strategy.

Reserves Position

- 1.1 When the 2024/25 budget was set, an estimated £53.9m was available to support the budget strategy, and the budget gap for the year was estimated at £61m, requiring the use of £7.1m of the emergency General Fund balance. In the 2023/24 outturn reported to committee in July 2024, additional one-off resources and savings identified had improved the position somewhat, and the emergency balance was no longer forecast to be required in 2024/25.
- 1.2 The budget adjustments and variances included in this report have further updated the position as shown below:

	£m	£m
Resources available 1 April 2024		80.6
Add: additional one-off transfer		6.8
Required for 2024/25 budget:		
As set (February 2024)	61.0	
Savings identified	(23.7)	
		(37.3)
Overspend as forecast in this report		(8.8)
Balance to support 2025/26 budget		41.3

- 1.3 In addition to the managed reserves strategy, funds are held in a variety of earmarked reserves (see the 2023/24 outturn report for more details). Work is ongoing to review these amounts and release further sums to support the budget strategy.