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# ***Revenue Budget Monitoring – Period 3, 2019/20***

Decision to be taken by: City Mayor

Overview Select Committee date: 19<sup>th</sup> September 2019

Lead director: Alison Greenhill

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## Useful information

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

### 1. Summary

This report is the first in the monitoring cycle for 2019/20 and gives an early indication of expected performance against the budget for the year. At this stage of the year, it is too early to make accurate forecasts of the eventual outcome. The narrative of the report provides some provisional estimates and describes the pressures which have arisen so far.

As has been the case for many years now, the scale of Government funding cuts means departments are under pressure to provide services with reduced funding, and this often results in budget difficulties which need to be managed. Additionally, departments continue to review budgets in 2019/20 to achieve savings, as part of the Council's budget strategy. The current savings programme has been termed Spending Review 4 (SR4).

For several years, the key issue facing our budget monitoring has been demand for statutory social care (adults' and children's) which is volatile, and where significant change can have a disproportionate impact on the Council's total budget. This has therefore been a key focus of our monitoring. It is encouraging that, at this early stage, both departments are forecasting that they can live within their resources.

City Development and Neighbourhoods are also experiencing pressures, although these tend to be more predictable than the big social care budgets. The department is forecasting to manage any individual overspends within their divisional budgets.

It is our usual practice to use this report to seek Executive approval to budget reductions arising from savings achieved by means of management action (i.e. those that do not need formal approval to the course of action proposed). These are shown in a separate appendix (Appendix C).

## **2. Recommendations**

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report;
- Approve the budget reductions arising from achieved spending review savings, as detailed in Appendix C of this report;

2.2 The OSC is recommended to:

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

## **3. Supporting information including options considered:**

The General Fund budget set for the financial year 2019/20 was £263.9m.

Appendix A summarises the budget for 2019/20;

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

Appendix C details the budget amendments required, consequent to spending review savings;

## **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

<b>Other implications</b>	<b>Yes/No</b>	<b>Paragraph referred</b>
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 20th February 2019 on the General Fund revenue budget 2019/20

#### **6. Summary of appendices:**

Appendix A – P3 Budget Monitoring Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

Appendix C – Spending Review Savings

#### **7. Is this a private report?**

No

**Revenue Budget at Period 3, 2019/20**

<b>2019-20</b>	<b>CURRENT BUDGET</b>
Neighbourhood & Environmental Services	31,474.0
Tourism Culture & Inward Investment	4,395.3
Planning, Development & Transportation	15,312.9
Estates & Building Services	4,266.8
Departmental Overheads	1,407.4
Housing Services	2,896.4
<b>City Development &amp; Neighbourhoods</b>	<b>59,752.8</b>
<b>Adult Social Care</b>	<b>109,909.4</b>
<b>Health &amp; Well Being</b>	<b>18,630.6</b>
Strategic Commissioning & Business Support	723.3
Learning Services	10,698.6
Children, Young People & Families	60,186.9
Departmental Resources	(2,748.9)
<b>Education &amp; Childrens Services</b>	<b>68,859.9</b>
Delivery, Communications & Political Governance	5,785.4
Financial Services	11,077.6
Human Resources	4,152.3
Information Services	8,609.2
Legal Services	2,727.0
<b>Corporate Resources &amp; Support</b>	<b>32,351.5</b>
Housing Benefits (Client Payments)	500.0
<b>Total Operational</b>	<b>290,004.2</b>
Corporate Budgets	(687.6)
Capital Financing	6,005.9
<b>Total Corporate &amp; Capital Financing</b>	<b>5,318.3</b>
Public Health Grant	(26,103.0)
Managed reserves Strategy	(1,851.4)
Demographic pressures reserve	(3,455.0)
<b>TOTAL GENERAL FUND</b>	<b>263,913.1</b>

**Divisional Narrative – Explanation of Variances**

**Corporate Resources and Support**

Corporate Resources Division is forecasting a balanced outturn on a net budget of £32.4m.

**1. Finance**

- 1.1. The Financial Services Division forecast an underspend of £60k which will be transferred to the Financial Services reserves to cover costs relating to the development of the corporate financial system.

**2. Human Resources**

- 2.1. Human Resources & Workforce Development is forecasting an underspend of £479k due to staff vacancies and an increase in income. This will be used to help cover the costs of the Digital Transformation Team.

**3. Information Services**

- 3.1. Information Services is forecasting a break-even position. The division continues to work on a programme of rationalisation of systems and infrastructure in order to deliver the SR4 savings already approved and removed from the budget.

**4. Delivery Communications & Political Governance (DCPG)**

- 4.1. The Delivery, Communications and Political Governance Division is forecasting an underspend of £49k. This will help cover the costs of the Digital Transformation Team.

**5. Legal, Registration & Coronial Services**

- 5.1. The Legal Services division is forecasting a balanced outturn. Temporary additional capacity is being funded by corporate and departmental reserves costing £211k.
- 5.2. Coronial Services are forecasting an overspend of some £400k due to high costs in pathology tests continuing the pattern of recent times. The

overspend will be funded from corporate budgets in line with normal policy.

### **City Development and Neighbourhoods**

The department is forecasting a balanced outturn on a net budget of £59.8m. Divisionally, the position is as follows:

#### **6. Planning, Transportation and Economic Development**

- 6.1. The division is forecasting a balanced outturn. The new bus shelter advertising contract will deliver lower income than the previous budget, as expected. This pressure is being managed in the current year within the division by closely controlling expenditure and higher than anticipated income from enforcement of bus lanes.

#### **7. Tourism, Culture & Inward Investment**

- 7.1. The main pressure is increased operating costs and lower income as Leicester Market is developed. This pressure is being covered by unbudgeted income from the former Granby Halls site, pending its sale. The division is forecasting a balanced outturn.

#### **8. Neighbourhood & Environmental Services**

- 8.1. The division is forecasting a balanced outturn.

#### **9. Estates & Building Services**

- 9.1. The Division is forecasting a break-even position. The division continues to implement the Technical Services Spending (a review which reported previously but is taking longer than expected to deliver savings). The work includes implementation of the corporate landlord model and contract consolidation and re-procurement. Pressures caused by the delay in achieving savings are being managed within the division. The achievement of the budgeted capital fees and external income is key to the break-even position and will be kept under close review.

#### **10. Departmental Overheads**

- 10.1. This holds the departmental budgets such as added years' pension costs, postage and departmental salaries. The forecast savings of around £100k are being held for feasibility studies.

## **11. Housing General Fund**

- 11.1. The Housing General Fund is forecast to break even. Significant pressures in relation to temporary accommodation are expected to continue throughout the current year, leading to an additional £0.4m being required. This will be funded by reserves held for this purpose and any in year savings that may occur as the year progresses.

## **12. Housing Revenue Account**

- 12.1. 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 underspend by £0.4m, excluding revenue used for capital spending (which is reported in the capital monitoring report).
- 12.2. Rental income for the current year is forecast to be in line with the budget. It is anticipated that more old year debt will be collected than previously expected, such that a provision for bad debt of £0.4m is unlikely to be required.
- 12.3. The Repairs & Maintenance Service is expected to underspend by £0.4m. £0.1m is the result of vacancies within the service: by September, most of these will have been filled with apprentices and through advertised roles. £0.2m will arise through the capitalisation of salaries associated with the programme of building new council housing (i.e. staff doing more work on the capital programme than the budget expected). The cost of materials has not risen as much as anticipated, contributing £0.1m to the underspend position.
- 12.4. An overspend of £0.4m is forecast within Management & Landlord Services. Staffing vacancies within the STAR and Family Support services will result in a £0.3m saving. However, the relocation of tenants from Goscote House in preparation for its demolition will cost in the order of £0.6m.

## **Adult Social Care**

### **13. Adult Social Care**

- 13.1. At quarter one, the department is forecasting an annual spend of £109.9m, as per the budget.
- 13.2. Long term service user numbers stood at 5,111 at the end of the first quarter, 55 more than at the start of the year, a 1.1% increase. This compares to an increase of 0.8% in the equivalent period last year. The 1.1% is made up of a 0.53% growth in the over 65s with physical issues and dementia, 0.55% growth in working age adults with physical issues, 1.54% increase in those with learning disabilities and a 2.61% increase in those with mental health issues. The budget assumes an overall annual growth of 1.5% and it is too early in the year to forecast a deviation from this position.
- 13.3. The rate of increase in need of our existing service users in the first quarter was 2.8% (£3.1m) which is favourable compared to 3.2% in the same period in 18/19. The budget assumes an annual rate of 5.5% (as per last year's out-turn) and the forecast remains the same. Older people's need increased at 3.4% and working age adults at 2.2%.
- 13.4. The overall forecast position for gross package costs remains therefore as per the budget, and similarly with income from fees and charges.
- 13.5. There are no other significant forecast variations in expenditure in care management, contracting, commissioning and admin teams. There has been some difficulty in recruiting reablement front line staff and whilst recruitment is underway this area may be underspent by the end of the year.

## **Health Improvement & Wellbeing**

### **14. Public Health & Sports Services**

- 14.1. At quarter one, the department is forecasting an annual spend of £18.63m, as per the budget.
- 14.2. There are no significant variances in the budgeted public health expenditure of £15.8m across the main services of sexual health, children's 0-19, lifestyle and health checks.
- 14.3. The first phase of the sports services organisational review is still in progress and will be fully implemented by December this year.

## **Education and Children's Services**

### **15. Education and Children's Services**

- 15.1. The department is currently forecasting to spend £68.9m as per the general fund budget. The underlying pressures on the looked after children (LAC) placement cost and SEN home to school transport budgets remain and are being funded using reserves as outlined in the Council budget report. The pressure on the High Needs Block of the Dedicated Schools Grant (DSG) also remains a very significant issue. The shortfall in the annual allocation of £5m in 19/20 will be funded this year from remaining DSG reserves.
- 15.2. The total number of LAC has remained stable in the first quarter of this year, with 672 in total at the end of June compared to 671 at the start of the year. Whilst the number of gross LAC entrants in the first quarter was higher than the 2018/19 quarterly average, there is historically a significant variation in quarterly numbers and therefore it is too early to conclude that the downwards trend in the past two years has reversed. The number of care leavers in the first quarter was also higher than the recent trend and therefore the net movement in LAC was negligible as noted above. There were 10 new special guardianship orders granted in the period which contributed to the high care leaver numbers. The mix of placements has changed slightly since the start of the year with an additional 6 external residential placements (arising mainly from the breakdown of existing placements) and 3 more Independent Fostering Agency placements.

- 15.3. With the current LAC population and mix of provision types we are operating at below the total annual placement budget of £29.5m. There is insufficient data at quarter one from which to draw any firm conclusions on trend growth rates and as a result we are maintaining the placement cost forecast as per budget.
- 15.4. The total social worker agency staff remains at 31 (compared to a permanent budgeted establishment of 111). This is set to reduce further with more agency posts being converted to permanent posts in the coming months. Numbers of children with child protection plans remains stable at 341.
- 15.5. National figures show that there has been an increase of 49% in the total number of Education Health Care (EHC) plans since the introduction of the Children and Families Act 2014. In Leicester the increase has been 65%. Nationally the proportion of school age pupils with Education Health Care (EHC) plans is 3.1% and the proportion of pupils with SEN without EHC plans is 11.9% in 2019. In Leicester the equivalent numbers are 2.8% and 11.4% respectively. Lobbying continues nationally to encourage government to increase High Needs funding.
- 15.6. In Leicester the pressure remains on the general fund in relation to home to school transport costs and on the High Needs Block of the DSG for placement costs and other services. Work continues as outlined previously to ensure that we are obtaining value for money across the SEN provision, including in special and mainstream settings together with council provided services. DSG reserves are being used to meet budget pressures, but these effectively run out in 2020/21 and therefore we must bring our expenditure into line with the resources available as soon as possible.

### **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 and levies. At present, spend at budget is anticipated.

**Spending Review Savings**

As members are aware, the Council needs to achieve substantial savings to live within its means in future years. The key means by which we seek to achieve these is the spending review programme. The current round has been termed Spending Review 4 and savings are formally taken from the budget as the associated actions are confirmed.

Further savings within the Corporate Resources & Housing Departments are now proposed, all taking effect from 2019/20 as shown in the table below:

<b>Description of Saving</b>	<b>Division</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deletion of posts In Communications & Equalities & running costs efficiencies.	DCPG	108	108	108	108
Deletion of vacant posts	HR	284	284	284	284
Deletion of Housing Maintenance advice posts	Housing	35	35	35	35
		<b>427</b>	<b>427</b>	<b>427</b>	<b>427</b>