
Revenue Budget Monitoring April- July 2020/21

Overview Select Committee

Date of meeting: 24th September 2020

Decision to be taken by: City Mayor

Decision to be taken on: tbc

Lead director: Alison Greenhill, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
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- Report version number: V1

1. Summary

This report is the first in the monitoring cycle for 2020/21 and forecasts the expected performance against the budget for the year.

The year has been dominated by the effect of the COVID-19 pandemic. The financial projection is currently anticipating an overspend of around £40m in 2020/21 which is almost entirely due to the pandemic. This estimate is necessarily hugely provisional and will depend on how quickly we get back to normal. A second wave is likely to considerably increase these costs. We also do not know what impact the pandemic will have on next year's budget, and how changes to behaviour might affect our income, and how an economic downturn will affect our ability to collect debt. It is likely that there will be further cost in 2021/22.

The pandemic has also affected local tax collection. Current estimates are that an additional £2m will be paid in council tax support, and we will receive £1m less than usual for each of council tax and business rates. However, the Council continues to collect outstanding tax and some of these losses may be recuperated in later years. The cost of council tax support and write-offs (to the extent that it is borne by the Council) affects later years' budgets and the Government is considering measures to share some of this cost – we will not know the outcome until November at the earliest.

The Government has announced additional funding to meet authorities' costs. Unringfenced funding of £24m has been awarded which will contribute to the total cost. A scheme has also been announced whereby the Government will meet part of the costs of income losses – this will depend on our actual shortfall over the course of the year. The scheme is complex, and will pay 75% of eligible losses over a threshold of 5%. The Government will not compensate losses in commercial rents. A highly provisional estimate suggests we might get £10m from this scheme.

Any balance of spending will fall to the Council to meet. As a well-managed authority, members have always approved a reserves strategy, and made monies available to meet the unexpected. At present, we do not believe residual costs will be unaffordable.

Our approach has been to record costs of the pandemic as follows:

- (a) Extraordinary costs which the Council would not normally incur have been charged to a new budget. This has been used to record costs such as the food hub, IT to support working from home and accommodation for rough sleepers;
- (b) Costs of a type the Council normally incurs have been recorded as part of normal budgets, which will consequently overspend. In practice, this has only applied to adult social care;
- (c) Departmental budgets will also overspend as a consequence of income shortfalls caused by the pandemic. Chief ones are for closed facilities (De Montfort Hall and leisure centres being the major ones) but other services such as parking have also been severely affected.

It is our intention to make a series of adjustments to departmental budgets at period 6, to ensure departments are compensated for pandemic costs (net of any expected savings).

The Government has also provided additional funds for specific purposes, which do not affect our overall forecast (unless the additional funds prove to be insufficient). These include:

- (a) £79m for business support grants (£73m main scheme spend, £3.5m discretionary, £2.6m local lockdown);
- (b) £48m for additional rate reliefs;
- (c) £4m to provide further council tax reductions to those in receipt of council tax support;
- (d) £4m for infection control in adult social care establishments;
- (e) £2m to support national test and trace;
- (f) £1m for costs associated with the second (local) lockdown.

2. Recommended actions/decision

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report.

2.2 The OSC is recommended to:

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

3. Scrutiny / stakeholder engagement

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4. Background and options with supporting evidence

The General Fund budget set for the financial year 2020/21 was £282.4m.

Appendix A summarises the budget for 2020/21.

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

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.

Alison Greenhill, Director of Finance, Ext 37 4001

6.2 Legal implications

This report is solely concerned with financial issues.

6.3 Equalities implications

No Equality Impact Assessment (EIA) has been carried out as this is not applicable to a budget monitoring report.

6.4 Climate Emergency implications

This report is solely concerned with financial issues

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 19th February 2020 on the General Fund Revenue budget 2020/2021.

8. Summary of appendices:

Appendix A – Period 4 (April-July) Budget Monitoring Summary;

Appendix B – Divisional Narrative – Explanation of Variances

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 Period 4 (April – July), 2020/21

2020-21	Current Budget	Forecast	Variance
	£000's	£000's	£000's
Financial Services	10,757.2	11,476.1	718.9
Information Services	9,041.6	9,041.6	0.0
Human Resources & Delivery, Communications & Political Governance	9,427.2	9,347.4	(79.8)
Legal Services	2,605.8	3,394.6	788.8
Corporate Resources & Support	31,831.8	33,259.7	1,427.9
Planning, Development & Transportation	14,139.9	25,727.9	11,588.0
Tourism Culture & Inward Investment	3,970.0	8,330.0	4,360.0
Neighbourhood & Environmental Services	31,551.3	33,368.3	1,817.0
Estates & Building Services	4,495.0	7,359.5	2,864.5
Departmental Overheads	1,005.8	756.6	(249.2)
Housing Services	2,392.5	2,972.3	579.8
City Development & Neighbourhoods	57,554.5	78,514.6	20,960.1
Adult Social Care	106,594.8	111,343.8	4,749.0
Public Health & Sports Services	23,167.1	25,993.2	2,826.1
Strategic Commissioning & Business Support	1,252.0	1,092.9	(159.1)
Learning Services	10,895.8	15,343.3	4,447.5
Children, Young People & Families	64,655.2	63,271.5	(1,383.7)
Departmental Resources	990.7	1,511.0	520.3
Education & Children's Services	77,793.7	81,218.7	3,425.0
Housing Benefits (Client Payments)	500.0	500.0	0.0
Total Operational	297,441.9	330,830.0	33,388.1
Corporate Budgets	7,662.0	7,662.0	0.0
Additional Covid-19 related costs (new budget)	0.0	5,911.0	5,911.0
Capital Financing	6,316.5	6,316.5	0.0
Total Corporate & Capital Financing	13,978.5	19,889.5	5,911.0
Public Health Grant	(26,599.0)	(26,599.0)	0.0
Managed Reserves Strategy	(2,377.4)	(2,377.4)	0.0
TOTAL GENERAL FUND	282,444.0	321,743.1	39,299.1

NB – Unringfenced Government grants of £24.5m will assist with meeting this forecast overspend, along with any support for income losses.

APPENDIX B

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department is forecasting an overspend of £1.4m on a budget of £31.8m as a consequence of the pandemic.

1. Finance

- 1.1 The Financial Services Division is forecasting an overspend of up to £0.7m, arising from delayed recovery of local tax– the division budgets for income from summons costs, which is not currently being received.

2. Information Services

- 2.1. Information Services is forecasting a balance outturn. Specific costs of £0.6m in support of the Council's operations during COVID-19 have been charged directly to the new COVID-19 account.

3. Human Resources, Delivery Communications & Political Governance (DCPG)

- 3.1. The two areas of the division are overall forecasting to underspend by £79k. This has occurred after an underspend in HR of £473k has funded the Digital Transformation Team overspend of £394k. The underspend in HR has arisen due to the slowing down in recruitment of apprentices £210k, £60k of additional income from traded activity by HR Operations and Health and Safety, with the remainder arising from staffing changes and vacancies due to delayed recruitment across the Division.

4. Legal, Registration & Coronial Services

- 4.1. The Legal Services Division is forecasting an overspend of £491k due to the loss of income in registration services, local land charges and property planning due to COVID-19.
- 4.2. Coronial Services are forecasting an overspend of £300k due to high costs in pathology tests and increased workload including additional COVID-19 costs, 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 an overspend of circa £21m on a net budget of £57.6m. Divisionally, the position is as follows:

5. Planning, Development and Transportation

- 5.1. The division is forecasting an income shortfall of £11.6m largely due to forecast losses in number of areas as a result of COVID-19, including car parks, bus lane enforcement, on street parking income, park and ride income and planning fees.

6. Tourism, Culture & Inward Investment

- 6.1. The division is forecasting a shortfall of £4.3m largely due to forecast income losses in number of areas as a result of COVID-19, including De Montfort Hall, the KRIII Visitor Centre and the markets. Some operational cost savings from closure of facilities have also resulted, which have offset the income losses to a small extent.

7. Neighbourhood & Environmental Services

- 7.1. The Division is forecasting an overspend of £1.8m, mainly due to forecast loss of income as a result of COVID-19 in areas including Building Control and Neighbourhood Services. There is a cost risk in waste management, as a number of contractual matters are under discussion and review. Some operational cost savings from closure of facilities have also resulted, which have offset the income losses to a small extent.

8. Estates & Building Services

- 8.1. The division is forecasting an overspend of £2.8m due largely to lower capital fees as capital schemes are delayed due to COVID-19 and the overall size of the programme being supported by the Division has proved to be lower than assumed in the budget. Risks to rental income from the Corporate Estate due to COVID-19 are noted at this stage, pending further analysis and consideration. A comprehensive review of budgets, staffing and operating costs across the division is nearing completion.

9. Departmental Overheads

- 9.1. This holds the departmental budgets such as added years' pension costs, postage and departmental salaries. Savings of around £250k are expected.

10. Housing General Fund

- 10.1. The Housing General Fund is forecast to overspend by £0.5m. Whilst most areas are expected to break even, Fleet services is forecasting a £0.6m overspend. A small underspend has arisen from reduced fuel usage during the lockdown period. However, this is more than offset by repair costs on older vehicles, vehicle hire costs and prudential borrowing arising from the on-going replacement programme. Some of the increased costs of temporary accommodation for the homeless in relation to COVID-19 have been met by specific grants or charged to the COVID-19 budget.

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 forecasting to overspend by £0.1m, excluding revenue used for capital spending (which is reported in the capital monitoring report).
- 11.2. Rental income is forecast to be £0.6m lower than budget due to the closure of Border House, reduced collection rates of hostel rent during lockdown, and increased void levels within general housing stock. This is fully offset by the net interest payable by the HRA on its debt being £0.6m lower than the budget. The longer-term impact of COVID-19 on general rent collection levels is not yet clear.
- 11.3. The Repairs & Maintenance Service is expected to underspend by £1.1m, largely due to COVID-19 restrictions. Spend on external contractors has reduced by £0.7m, including £0.3m on district heating maintenance and £0.2m on structural works. Staffing vacancies contribute a further £0.6m to the forecast underspend position, along with £0.5m of material underspends due to the reduced number of jobs undertaken so far this year. However, some £0.7m is likely to be incurred catching up on repair jobs.
- 11.4. Management and Landlord services are predicted to overspend by £0.3m. Staffing costs within the property lettings team will exceed the budget by £0.2m, and the cost of council tax on void properties will exceed the budget by £0.4m. Offsetting these are savings on staffing costs within the STAR and Hostels teams.

- 11.5. Combining the impact across a number of service areas, unbudgeted expenditure of £0.9m is expected to be incurred as a result of COVID-19. This includes £0.5m of maintenance costs to bring void properties ready to let, and £0.4m in relation to temporary accommodation within the HRA.
- 11.6. No Government grant has been provided to compensate COVID-19 costs falling to the HRA.

Adult Social Care

12. Adult Social Care

- 12.1. The department is forecasting to spend £4.7m more than the budget of £106.6m all of which relates to additional COVID-19 costs. During the pandemic additional payments have been made to domiciliary care providers, residential homes, supported living and shared lives providers. This has taken the form of a 10% fee uplift which is intended to cover costs including those for additional PPE and agency staff from higher staff sickness absence. Domiciliary care providers also received a four-week advance payment to ease cash flow issues. The ring-fenced infection control fund received by the Council of £3.7m has been paid out as directed by the department of health, principally to residential homes, but also to domiciliary care and supported living providers and this is intended to cover additional COVID-19 related costs incurred up to the end of September.
- 12.2. People discharged from hospital since 19 March who required adult social care have received that care free of charge. For those that were already receiving adult social care prior to hospital admission, any charge to the service user post discharge has been stopped. For those discharged who were new to adult social care, the department has paid for their care package and then re-charged the NHS via the CCG. These arrangements will come to an end from 1 September and anyone still requiring an ongoing package of care will be subject to the normal financial assessment process. Hospitals will still discharge people back home as rapidly as possible with an initial package of care if required, which the NHS will pay for, but only for up to six weeks, until the person is assessed for an ongoing care.
- 12.3. The number of new service users during the first four months who are still receiving care was only slightly higher than at the same point last year. Nearly half of these new entrants were hospital discharge patients and this appears to have offset any reduction in new entrants from the

normal community route as a result of the lock down. The number of long-term care leavers was broadly in line with the same period as last year, although the proportion of those leaving residential care was much higher.

- 12.4. The net increase in service user numbers was 1.3% (67) in the first four months. With current COVID-19 infection rates and the changes to the hospital discharge process this forecast assumes that by the year end the rate of growth in service user numbers reverts to the trends identified in the previous year.
- 12.5. The increase in need of existing service users was nearly 6% in 2019/20, an increase of 0.5% from 2018/19. The rate of increase in need and the number of existing services users seeing a change of package in the first four months was slightly lower than at the same point last year. As with the growth in service user numbers, this forecast assumes that the rate of increase reverts to previous trends with a forecast out-turn of 5.9%.
- 12.6. Excluding the additional COVID-19 costs, the forecast gross package is broadly in line with the budget of £133.7m. There are no other significant variations in costs forecast at this stage for care management, preventative services or other support costs.

Public Health & Sports Services

13. Public Health & Sports Services

- 13.1. Public Health is forecasting to spend £20.4m, £0.4m less than the budget of £20.8m. The underspend is mainly as a result of vacant lifestyle coordinators and advisor posts in the Integrated Lifestyle services team and a vacant commissioning manager and programme officer post in the main public health team. Three additional support posts have been recruited to support the test and trace programme which is being met by Government specific grant.
- 13.2. The costs of the sexual health service provided by Midlands Partnership Foundation Trust during the lock down are subject to ongoing negotiations as activity levels have been low during this period. The current forecast does not assume any reduction in budgeted cost at this stage, but this will be updated for the next forecast when the picture is clearer - a similar story applies to GP provided health checks which are also below normal activity levels.

- 13.3. Sports centres are anticipated to open from late September with a gradual increase in patronage from on average 40% of pre-COVID-19 levels in September, 60% by Christmas and 75% by March next year. Fitness membership subscriptions were suspended during the lockdown and approximately 11% of health and fitness members have cancelled their direct debit and 8% of learn to swim members.
- 13.4. There is clearly uncertainty over how quickly and to what extent service users will return to the centres. The best current estimate means a forecast income of £1.9m for the year, £4.4m less than the budget of £6.3m. Whilst this is offset with savings in casual staff who were employed elsewhere during lockdown (and will not return at the same level initially for group exercise instruction and for swimming lessons) and savings in running costs (mainly utilities) which together total £1.2m, Sports as a whole are forecasting a £3.2m overspend to March 2021.
- 13.5. In early July, the city was placed in extended lockdown, and an extensive local testing operation was launched. The costs of this have been recorded in the central budget for pandemic costs and will partially be met by additional Government grant of £1m, £170k of which was spent by Leicestershire County Council.

Education and Children's Services

14. Education and Children's Services

- 14.1. The department is forecasting to spend £81.2m, £3.4m more than the budget. £1.5m of the overspend relates to additional COVID-19 costs and £1.9m non COVID-19 related costs of which £1.4m of departmental reserves will be used to offset the non COVID-19 related costs.
- 14.2. **COVID-19 related additional costs**
As a result of the pandemic and the impact on the local economy the review of the Connexions service has been postponed indefinitely with the loss of £0.24m of savings. The new charging arrangements for the Education Welfare service have been postponed for a year which, together with the loss of penalty notice income results in a £0.49m unbudgeted cost.
Whilst there are underlying pressures on the SEN home to school transport budget as outlined below, the impact of the pandemic has been twofold. Firstly, taxi firms reduced their charges in June and July to reflect the reduction in activity and this resulted in an average 50%

cost reduction for those months. Secondly the Passenger Transport Service is currently working on the need for additional segregation of children on the in-house transport fleet and therefore the need for more taxi capacity. There is still uncertainty over the extent of the additional capacity required and the associated costs. This forecast includes an overall estimate of the net additional transport costs of £0.75m.

So far, there has been no significant impact on looked after children costs arising from the pandemic.

14.3. Non COVID-19 related additional costs.

Additional unbudgeted resources have been deployed in the Special Education Service in 2020/21 to deal with a backlog of Education, Health and Care plan assessments and reviews which total £0.7m. The budget for the SEN home to school transport cost has been under severe pressure since 2018/19 from growth in demand. The current forecast underlying shortfall in the SEN home to school transport budget is £2.2m, with an estimated total spend of £9.3m. Savings in Social Care and Early Help and Performance totalling £1.5m (mainly staffing) reduce the non- COVID-19 over-spend to £1.4m.

14.4. The net increase in care entrants during the first four months was 10, with 631 at the period end. At this stage of the year overall placement costs are forecast to be as per the budget at £33.7m.

14.5. A £550k shortfall in City Catering income is expected as a result of COVID- 19. During the pandemic the service continued to provide meals for vulnerable children and key workers from selected hub schools, together with supporting other key activities. Charges to schools have been on the basis of actual costs incurred by the service, rather than the normal charging arrangements. From the new academic year in September it is assumed that normal charging arrangements will resume, but this may change dependent upon circumstances and the take-up is uncertain. The forecast shortfall is therefore an estimate at this stage.

Corporate Items & Reserves

15. Corporate Items

15.1. The corporate budgets cover the Council's capital financing costs, items such as audit fees, bank charges and levies. There is no significant change forecast at this stage.

15.2. Since the start of the year, an additional corporate budget has been created for costs created by the pandemic. This has recorded all costs which have been incurred as a direct consequence of the pandemic, other than those which cannot be distinguished from normal departmental activity (the chief exclusion is social care costs, which continue to be charged to the department). All income shortfalls also fall to departments.

15.3. The table below summarises the types of expenditure recorded, and the estimated final cost:

Type of Expenditure	Forecast £000's
Food Hub	1,091
Community mobilisation	80
Accommodation	932
IT costs	597
Property costs including PPE	1,882
Security	159
Other	190
Sub-Total	4,931
Costs of Extended Lockdown	
Communications	395
Reducing Transmissions	176
Supporting Self Isolators and the Vulnerable	200
Supporting testing	207
Other	2
Sub-Total	980
Total	5,911