



## Report of the Director of Resources

### Executive Board

Date: 13<sup>th</sup> June 2007

Subject: PERFORMANCE – OUTTURN 2006/07

**Electoral wards affected:**

  
  
  

Ward Members consulted  
(referred to in report)

**Specific implications for:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for call In

Not eligible for call in  
(details contained in the report)

## Executive Summary

This report presents the Council's financial performance for the year ending 31<sup>st</sup> March 2007, prior to the submission of the annual accounts to Corporate Governance and Audit Committee for approval, and subject to audit.

As previously reported to Executive Board, a number of services have faced significant financial pressures during 2006/07. An analysis of departmental spending is attached at appendix 1.

However, additional funding sources have been identified in-year to mitigate against these pressures enabling a number of areas of immediate concern to be funded. Debt rescheduling opportunities and savings in interest and cashflow have generated £21.8m and additional income from the Local Authority Business Growth Incentive scheme a further £4.4m, resulting in reserves carried forward of £23.6m.

Variations within the Housing Revenue Account have resulted in a general reserve of £3.4m and an earmarked reserve of £6.0m at 31<sup>st</sup> March 2007. This is mainly due to an underspend of £2.5m for payments associated with PFI schemes, improved doubtful debts provision and increased rental and property services income.

Spending on capital investment was £33.6m less than programmed - £24.4m of which relates to general fund services. Resources have been used for the HRA and general fund programmes to achieve the cost effective funding mix for the overall programme.

Other areas of year end financial performance reported include schools reserves, Local Area Agreement, the collection of local taxation and sundry income, and the prompt payment of creditors.

## **1.0 Purpose of this report**

- 1.1 The 2006/07 Statement of Accounts will be presented to the Corporate Governance and Audit Committee for approval on the 29<sup>th</sup> June 2007 and the report of the auditors will be referred back to that Committee in due course.
- 1.2 Following approval by Committee, in accordance with the 2006 Audit and Accounts Regulations, the Accounts will be available for public inspection for 20 days from the 30th June 2007.
- 1.3 Following completion of the audit it is intended to provide information through the About Leeds newspaper in support of the Council's commitment to engage citizens.
- 1.4 Executive Board, as in previous years, are asked to consider the financial performance of the Council during the year and approve the creation and usage of the Council's reserves.
- 1.5 In order to produce local authority accounts which are compliant with UK Generally Accepted Accounting Practice (UK GAAP), the accounting standards governing local authority accounts have undergone significant changes. The main change is the introduction of an Income and Expenditure Account (I&E A/c). This new account aims to present the revenue account in a comparable way to those completed in the private sector.
- 1.6 The consequence of this amendment is that the reported financial position of the Authority in the I&E A/c will show a substantial deficit (£156m restated figure for 2005/06 compared to a previously reported £0.7m surplus), mainly reflecting the depreciation charge and the contribution to the housing capital receipts pool, previously reversed through statute. A new movement on General Fund Balance statement will reflect all the amendments to accounting practice required by law and show the actual outturn position as described below.

## **2.0 General Fund Outturn – Summary**

- 2.1 In overall terms the outturn position for the General Fund now reported will generate an additional contribution to general reserves of £11.6m. This is due to a number of significant variations which are reviewed in section 3 below. In accordance with the Council's approved reserves policy, departmental underspends and overspends are normally to be carried forward. However given the ongoing Council change programme and the realignment of services to the new strategic directorates it is proposed that for 2006/07 departmental under and over spends are not carried forward to 2007/08. It is however proposed that the carry forward policy is reintroduced for 2007/08 onwards.

## **3.0 Departmental Variations**

- 3.1 A summary of variations at departmental level is shown at Appendix 1, and major variations commented upon in the following paragraphs:

### **3.2. Social Services**

- 3.2.1 The budget pressures experienced by the Social Services Department that have been reported during the year have manifested in the department's outturn position. The substantial service improvement and realignment programme is making good progress overall, but there has been some slippage in achieving the budgeted savings. In addition, demand and demographic pressures have continued to impact on expenditure levels. The outturn position is £5.9m higher than the Latest Estimate and the most significant areas of variation are set out below.
- 3.2.2 The service transformation programme delivered £14m (70%) of its £20m target savings by the year-end, but in some areas progress has been slower than anticipated when the

2006/07 Budget was set. Staffing costs were £2m higher than the Latest Estimate, mainly reflecting some slippage within the service transformation programme and pressures within children's residential care.

- 3.2.3 Demand and demographic pressures have particularly affected children's placements and care packages for people with learning disabilities. Increasingly complex needs are affecting both these services, with growing service user numbers also impacting particularly on the learning disability service. Children's placement costs were £1.7m higher than the Latest Estimate, with a further £0.4m in respect of legal costs. Additional costs falling to Social Services in respect of the learning disability pooled budget amounted to £0.5m. Transport costs were £0.9m higher than budgeted, mainly for children's and learning disability services.
- 3.2.4 The cost of community care packages, net of income from the Primary Care Trust, was £2.4m lower than the Latest Estimate. This partly reflects the cost improvements arising from the revised contracting arrangements for residential, nursing and domiciliary care operational from April 2006. Fewer placements being funded has also contributed to the lower spend. This partly reflects increased numbers now being fully funded by the Primary Care Trust under their continuing care responsibilities.
- 3.2.5 A reduction in Supporting People income in respect of efficiency savings required amounted to £0.9m and income from service users was £0.5m less than budgeted. Meals costs were £0.5m higher than the Latest Estimate, reflecting some delay in the planned reconfiguration of the service.
- 3.2.6 After allowing for additional funding of £2.2m approved by Executive Board during the year, Roseville Enterprises achieved a break-even trading position at the year-end.

### **3.3 City Services**

- 3.3.1 The overall position for the department is an underspend of £949k. The major variations are as follows:-
- 3.3.2 Streetscene Services has overspent by £641k. Within Refuse Collection and Street Cleansing additional expenditure of £657k has been incurred in respect of vehicle repairs and absorbing the higher than budgeted for increases in fuel prices. Although the level of recycling across the city has increased to 22.3%, costs associated with the disposal of all waste types were £219k higher than budgeted for. Increases in unit price have partially offset reductions in capacity for electricity generated at the closed landfill site at Gamblethorpe. Additional Government Grant of £414k has been received for dealing with the disposal of hazardous waste.
- 3.3.3 As a result of increased investment in the highways infrastructure and an enhanced inspectorate regime, there has been a reduction in the number of Third Party liability claims. This has resulted in a reduction in the required contribution to the Authority's Insurance Provision of £423k. As a result of the mild winter, there was just 39 grits, and this has generated savings of £238k. In addition within Highways Services, staffing savings (£481k) and additional capital fee income (£155k) help to offset the increased cost of Street Lighting energy (£412k).
- 3.3.4 Income from parking enforcement was £460k below the budgeted level largely due to variations in the level of payments received at the different charge levels. This variation was offset by additional car parking fee income and savings made on other areas of expenditure such as car park maintenance and IT of £660k. Within Facilities Management additional expenditure was required to address dilapidations claims in respect of Belgrave House and Cathedral Chambers (£140k).

3.3.5 Traded Services have provided an additional contribution of £162k, and this largely reflects the performance of the Property Maintenance function where a £525k surplus reflects the delivery of a reduced cost base and increases in turnover.

### **3.4 Learning and Leisure**

3.4.1 The outturn position for Learning and Leisure is an overspend of £1.55m. This is primarily due to additional expenditure within the Parks and Countryside service on staffing, materials and transport of £1.1m.

3.4.2 The Sport & Active Recreation service overspent by £400k. This reflects additional costs relating to the opening of South Leeds Sport Centre, additional Leisure Centre security and set up costs for the Sports Trust and PFI projects.

3.4.3 As previously reported, the loss of the New Deal contract within Jobs and Skills has been a significant issue during the year. Funding of £1.5m was allocated in year pending a structure review. Additional costs of £180k have been incurred in relation to VER and severance costs, but this will result in future permanent salary savings in the budget. In addition a loss of grant income over and above the New Deal contract of £250k was experienced by the service.

3.4.4 Income within Cemeteries and Crematoria was £100k lower than budgeted, whilst maximising the Early Years Children's Centre grant, delivered income of £600k.

3.4.5 The £0.3m net saving on Education services is primarily due to savings on Pupil Support of £0.1m, utilities costs on miscellaneous properties £0.1m and gratuities and ongoing pension costs of £0.1m.

### **3.5 Neighbourhoods and Housing**

3.5.1 Overall the department has achieved a largely balanced position. The main variations within the department are as follows:

3.5.2 Environmental Health has underspent by £0.4m due to savings in staffing costs arising from vacancies and additional income generated.

3.5.3 Housing services overspent by £0.5m primarily due to staffing overspends and increased costs of £0.2m within Homelessness due to increased occupancy resulting from a shortage of affordable social housing.

3.5.4 As previously reported there is an in year shortfall in license fee income from houses in multiple occupancy. After allocating £2.6m to this area as agreed by the Board, there is a further shortfall of £0.9m, although it is anticipated that over the five year license period the scheme will be cost neutral.

3.5.5 Regeneration has underspent by £0.5m primarily due to staffing vacancies across the division and Community Safety has generated additional one off income of £0.1m.

### **3.6 Development**

3.6.1 The overall position for Development is an underspend of £81k. The most significant variations are detailed below:

3.6.2 Expenditure on Planning and Development exceeded the budget by £413k, mainly reflecting additional staffing requirements of £200k and a shortfall on building and planning fees of £250k.

3.6.3 The Asset Management service has underspent by £479k, mainly reflecting staffing savings of £190k, additional surveyor and legal fees of £300k, and additional markets and

rental income of £150k. This is partly offset by an increase of £250k on utility and other costs incurred on securing surplus assets prior to disposal.

3.6.4 Economic Services has underspent by £360k, mainly reflecting savings on staffing and running costs of £120k, additional income of £140k from Yorkshire Forward and developer contributions, and a reduction of £100k in support service costs charged to the division.

3.6.5 Design Services has overspent by £332k, mainly due to an under recovery of fee income in Architectural Design Services, partially offset by other savings within Engineering Services.

### **3.7 Corporate Services**

3.7.1 The overall underspend of £317k is largely due to pay and running cost savings across most services. This is after funding the cost of the Equal Pay Action team (£100K) within Corporate HR.

### **3.8 Chief Executive's**

3.8.1 A delay in the Information Management initiative resulting in an underspend of £85k combined with the net surplus of £77k on the Public Private Partnership Unit are the main factors causing the overall underspend of £134k.

3.8.2 2006/07 is the second full year of operation of Connexions as part of Leeds City Council. It is fully funded by grant income from the DfES.

### **3.9 Strategic accounts**

3.9.1 Spending pressures across the authority are supported by measures taken corporately to balance the approved budget.

3.9.2 In 2006/07 the budget provided for the use of £5m of Highways Section 278 agreements, although the actual receipts in the year were £0.7m less than this. In addition, items more properly charged to capital were assumed to generate reductions of £4.5m in revenue, although the spending pattern in 2006/07 has resulted in a shortfall of £0.5m.

3.9.3 The 2006/07 budget provided for income from the Local Authority Business Growth Incentive Scheme of £5.5m. Income relating to the full year 2006/07 is £4.4m higher than budgeted, although after accounting for allocations made in-year to support departmental pressures, the outturn position reflects additional income of £3m.

3.9.4 Following the finalisation of the provision for insurance claims for the year, the fund requires an additional £0.5m to ensure that adequate cover is maintained. In addition a further £0.4m is required to support the schools fire prevention scheme.

3.9.5 Budget provision of £2.9m was made in the 2006/07 budget relating to Equal Pay compensation costs. However, following a further capitalisation directive of £2.1m from the DCLG in respect of the second phase of the Council's equal pay compensation and the contribution from schools of £1.9m for their element of the payments, £3.8m has been transferred to reserves to fund future potential and on going claims.

3.9.6 Market conditions have presented significant debt rescheduling opportunities during the year, generating substantial discounts and, together with savings in interest and cash flow, savings of £21.8m have been achieved. Overall the average external borrowing rate has been reduced from 5.17% in 2005/06 to 4.78% in 2006/07, which equates to an annual interest rate saving of £2.3m.

The potential for making savings in this area has been reported to Board throughout the year as part of the quarterly financial health monitoring reports and £4m has already been allocated to areas of significant concern.

#### 4.0 Corporate Plan Priority Outcomes 2006/07

4.1 The 2006/07 latest estimate provided for £5.1m additional resources to be directed towards the Council's corporate priorities and there is a £0.3m overall underspend against this position at outturn. Details of the priorities and performance is provided at appendix 2, but in overall terms the Council has been successful in directing the planned level of resources to its priorities and in achieving its desired outcomes.

#### 5.0 General Fund Reserves

5.1 The general fund reserves position at 31st March 2007 is summarised in the table below:

| 2006/07                              | Latest Estimate<br>£m | Outturn<br>£m | Variation<br>£m |
|--------------------------------------|-----------------------|---------------|-----------------|
| <b>General Fund reserve</b>          |                       |               |                 |
| Balance at 1st April 06              | 12.0                  | 12.0          |                 |
| Contribution to                      | 5.3                   | 11.6          | 6.3             |
| <b>Carried Forward 31st March 07</b> | <b>17.3</b>           | <b>23.6</b>   | <b>6.3</b>      |

5.2 In accordance with the approved reserves policy, reserves at 31st March 2007 were budgeted to be £12.3m. As reported to Members in the quarterly financial health reports, in-year departmental pressures have been offset by additional resources. The latest estimate reflected a projected underspend of £5.0m, to be added to general reserves and carried forward to 2007/08. The 2007/08 budget is underpinned by the net use of £4.3m of general reserves to produce a prudent level of reserves of around £13m at 31st March 2008 which is capable of covering the estimated financial risk of the authority as assessed using the risk based reserves strategy.

5.3 The above table shows in a substantial improvement in the budgeted level of reserves to a total of £23.6m at 31<sup>st</sup> March 2007, but taking account of budgeted use of reserves and other potential liabilities, it is considered prudent to maintain reserves at this level.

#### 6.0 Capital Programme

6.1 The latest approved February 2007 Capital Programme estimated capital expenditure in 2006/07 to be £378.1m, £207.4m for the general fund and £170.7m for Housing.

6.2 The resources available to fund the projected 2006/07 expenditure per the approved February 2007 programme were £370.7m with overprogramming of £7.4m. This compares to actual 2006/07 spend of £344.5m as detailed below.

#### 6.3 General Fund Capital Spend

6.3.1 The following table shows the in year actual expenditure against estimate:

| General Fund               | Estimate       | Estimate (Adjusted) | Outturn        | Variation (Adj Est to Outturn) |               |
|----------------------------|----------------|---------------------|----------------|--------------------------------|---------------|
|                            | £000           | £000                | £000           | £000                           | %             |
| Development                | 55,968         | 55,985              | 47,036         | (8,949)                        | -16%          |
| City Services              | 22,369         | 25,940              | 24,472         | (1,468)                        | -6%           |
| Corporate Services         | 16,182         | 16,217              | 12,968         | (3,249)                        | -20%          |
| Learning and Leisure       | 42,531         | 42,964              | 43,141         | 177                            | 0.5%          |
| Education                  | 31,966         | 31,990              | 28,238         | (3,752)                        | -12%          |
| Neighbourhoods and Housing | 20,052         | 20,129              | 17,391         | (2,738)                        | -14%          |
| Chief Executives           | 818            | 818                 | 357            | (461)                          | -56%          |
| Social Services            | 3,568          | 3,608               | 2,450          | (1,158)                        | -32%          |
| Strategic Accounts         | 13,907         | 9,710               | 6,916          | (2,794)                        | -29%          |
| <b>Total Spend</b>         | <b>207,361</b> | <b>207,361</b>      | <b>182,969</b> | <b>(24,392)</b>                | <b>-11.8%</b> |

## 6.4 Housing Revenue Account Capital Spend

6.4.1 The following table shows the in year actual expenditure against estimate:

| HRA                | Estimate       | Outturn        | Variation      |              |
|--------------------|----------------|----------------|----------------|--------------|
|                    | £000           | £000           | £000           | %            |
| Strategic Landlord | 595            | 79             | (516)          | -87%         |
| ALMOS              | 170,129        | 161,420        | (8,709)        | -5%          |
| <b>Total Spend</b> | <b>171,793</b> | <b>161,499</b> | <b>(9,225)</b> | <b>-5.4%</b> |

## 6.5 Capital Resources

6.5.1 Capital resources to fund the programme have varied. Capital receipts achieved totaled £38.7m, including useable capital receipts from right to buy sales of £11.3m.

6.5.2 Resources from Highways S278 agreements and other funding sources have again been used to support the revenue budget rather than the capital programme as detailed at paragraph 3.9.2 above.

6.5.3 Resources have been used for the HRA and general fund programmes to arrive at the most cost effective funding mix for the overall capital programme.

Details of the expenditure and financing are shown below:

|                                   | £m           |
|-----------------------------------|--------------|
| <b>Net Capital Spend</b>          | <b>344.5</b> |
| <b>Financed by</b>                |              |
| Specific Grants and Contributions | 65.7         |
| Capital Receipts                  | 38.7         |
| MRA                               | 34.8         |
| Borrowing                         | 201.1        |
| Revenue Contributions             | 4.2          |
| <b>Total Funding</b>              | <b>344.5</b> |

## 7.0 Housing Revenue Account

7.1 As shown in the following table the final outturn position has generated a contribution to balances of £0.2m, a reduction of £0.6m from the £0.8m budgeted contribution.

| HRA                                   | Latest Estimate | Outturn        | Variation      |
|---------------------------------------|-----------------|----------------|----------------|
|                                       | £000            | £000           | £000           |
| <b>Expenditure</b>                    |                 |                |                |
| Employees                             | 9,613           | 9,371          | - 242          |
| Premises                              | 2,085           | 2,471          | 386            |
| Supplies and Services                 | 12,716          | 10,186         | - 2,530        |
| Transport                             | 239             | 236            | -3             |
| ALMO Management fees                  | 99,433          | 98,032         | - 1,401        |
| Distribution of ALMO reserve          | 1,946           | 1,946          | 0              |
| Internal Charges/ Transfer payments   | 8,195           | 7,704          | - 491          |
| Provision for doubtful debts          | 2,300           | 50             | - 2,250        |
| disrepair                             | 711             | 399            | - 312          |
| capital                               | 24,572          | 24,700         | 128            |
| <b>Income</b>                         |                 |                |                |
| Rents and other charges               | - 155,630       | - 156,024      | - 394          |
| Housing Subsidy                       | 33,755          | 35,384         | 1,629          |
| Other Income                          | - 39,042        | - 40,655       | - 1,613        |
| <b>Deficit / (Surplus)</b>            | <b>893</b>      | <b>- 6,199</b> | <b>- 7,092</b> |
| Transfer To Swarcliffe PFI            | 2,252           | 4,350          | 2,098          |
| Transfer to ( from)earmarked reserves | - 3,946         | 1,604          | 5,550          |
| <b>Surplus</b>                        | <b>- 801</b>    | <b>- 245</b>   | <b>556</b>     |

7.2. A number of factors have contributed to the year end position. Savings of £2.5m on the budget for supplies and services largely result from delays on the Little London and Beeston Hill and Holbeck PFI schemes. Programmed services associated with the Little London scheme will now be incurred in 2007/08.

7.3. Payments to the ALMO's were £1.4m less than budgeted due to reduced performance incentive payments, especially in relation to contribution to CPA targets. Improved collection of rents, including the impact of a rent free week, together with lower levels of benefit overpayment have enabled the provision for bad debts to be reduced by over £2.2m. Savings of £0.3M have also been achieved in the cost of disrepair through the continued proactive management of claims.

7.4. Rental income exceeded the budget by £0.4m which reflect both improved void levels and higher levels of stock than anticipated.

7.5. Higher stock numbers, as anticipated in previous monitoring reports, has resulted in subsidy being £2.3m less than budgeted. In addition the level of subsidy received for interest on debt has fallen by £1.7m due to a reduction in the Council's average rate of interest on external borrowing. These costs have been partly offset by additional subsidy of £0.7m due to the DCLG compensation scheme for the loss of income arising from the operation of the 5% rent cap and a budgeted contribution from reserves to cover subsidy loss on stock numbers of £2m.

7.6. Higher levels of work than anticipated resulted in additional income of £0.5m for the Property Services of the department.



- 7.7. The additional contribution to the Swarcliffe PFI reserve includes £1.3m in respect to the option of right to buy on the scheme. The contract contains a clause that allows funds that are not spent on property improvement due to right to buy to be paid back to the Council. Although no cash will be paid until year 5, proper accounting requires the gain to be recognised as it is identified.
- 7.8. The £3.9m budgeted contribution from earmarked reserves was made up of the £2m contribution to subsidy and a £1.9m agreed reallocation to ALMOs. These reserves brought forward from 2005/06 have now been released. It is proposed that for 2006/07 a contribution of £5.6m is made to bring the current level of earmarked reserves to £6.1m. The £5.6m increase in earmarked reserves is for the following purposes: £1.0m to be redistributed to ALMO's to assist them in achieving 3 star status; £0.5m to be used to meet the future borrowing costs of demolitions in the EASEL area; and a £4.1m injection to be made into the capital programme to support additional spending towards meeting Decency targets (£3.9m) and to provide for environmental works in the Swarcliffe PFI area (£0.2m).
- 7.9 The effect of the above on HRA working balances is summarised in the table below:

| <b>Working Balance a/c</b>     | <b>2006/07 L.E.<br/>£,000</b> | <b>Actual<br/>£,000</b> | <b>Variation<br/>£,000</b> |
|--------------------------------|-------------------------------|-------------------------|----------------------------|
| Balance Brought Forward        | 3,158                         | 3,158                   |                            |
| Transfer from / (to) HRA       | 801                           | 245                     | 556                        |
| <b>Balance Carried Forward</b> | <b>3,959</b>                  | <b>3,403</b>            | <b>556</b>                 |

## 8.0 Schools

- 8.1 The projected outturn on the Individual Schools Budget for 2006/07 is as follows:-

|                                |            |
|--------------------------------|------------|
| <b>OUTTURN</b>                 | £m         |
| Latest estimate                | 338.2      |
| Projected Outturn              | 338.9      |
| Variation                      | <b>0.7</b> |
| <b>SCHOOLS RESERVES</b>        |            |
| Balance Brought Forward        | 6.8        |
| Net Contribution from Reserves | (0.7)      |
| <b>Balance Carried Forward</b> | <b>6.1</b> |

- 8.2 As can be seen from the above table, school reserves stand at £6.1m. These are ringfenced and must be carried forward. However, as previously agreed, temporary transfers have been made to fund Voluntary Early Retirements.
- 8.3 During 2006/07, £0.7m has been repaid, representing one fifth of the £3.4m used to fund VER for the years 2001/05 to 2005/06. The total amount still awaiting repayment amounts to £3.3m (£1.7m from previous years and £1.6m from 2006/07).
- 8.4 The Council's approved financial strategy had previously assumed that PFI/BSF development costs would initially be borrowed from the PFI credit generated in the early years of such schemes. This would then be funded from increase in the Individual Schools Budget over the life of the PFI schemes. Due to changes made by Central Government in the way in which PFI schemes are funded, the credit is no longer sufficient to offset the scale of the development cost. Therefore BSF development costs have now been funded initially by borrowing from school reserves, amounting to £0.8m and £0.9m in 2005/06 and 2006/07

respectively. Further consideration is being given to the future strategy for funding BSF development costs in this way.

8.5 Taking account of these adjustments the net schools reserves position is £1.1m as at 31<sup>st</sup> March 2007.

## 9.0 Other Financial Issues

### 9.1 Education Leeds

9.1.1 The 2006/07 budget for Education Leeds had assumed £1,448k of operating surpluses being used to support the budget. Education Leeds have now reported their financial position for 2006/07 (subject to audit and their Board's approval) and this shows that an underspend of £1,829k against the budget resulting in no operating surpluses being required to be used. This leaves Education Leeds with accumulated surpluses of £2,955k at the close of 2006/07. Projected levels of operating surpluses were taken into account when determining the contract payment for 2007/08 and £1,090k of operating surpluses were agreed as being required to support the 2007/08 Education Leeds budget. This would reduce the level of operating surpluses to £1,865k by the close of 2007/08.

9.1.2 The Education Leeds and Council medium term financial plans assume that operating surpluses will continue to be applied to maintain levels of service delivery and meet service pressures and key Education priorities in future years'.

### 9.2 ALMOs

9.2.1 ALMOs are reporting an overall surplus for the year of £1.0m. The balance on ALMO reserves brought forward from 2005/06 was £13.8m, giving a reserve position as at 31<sup>st</sup> March 2007 of £14.8m.

9.2.2 In addition to the operating position reported above, the ALMOs FRS17 liability brought forward from 2005/06 of £5.1m has reduced to just £0.9m mainly through improvements to the value of assets held in the pension fund.

9.2.3 The figures reported above are subject to audit and approval of the ALMO boards.

### 9.3 Local Area Agreement (LAA)

9.3.1 The overall outturn position for the LAA in 2006/07 was £16.6m (including Neighbourhood Renewal Fund [NRF] of £12.7m) compared to a budget of £16.8m (NRF £12.7m). The LAA Programme Board approved the carry forward of the underspend, with the NRF funds being used to commission additional services in 2007/08 and the remainder being retained by those funding streams which underspent.

### 9.4 Local Taxation

9.4.1 The performance statistics for the year in respect of the collection of local taxation are as follows:-

|                        | 2003/04<br>Leeds<br>Actual | 2004/05<br>Leeds<br>Actual | 2005/06<br>Leeds<br>Actual | 2006/07<br>Leeds<br>Actual |
|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Council Tax collection | 96.2%                      | 96.1%                      | 96.3%                      | 96.4%                      |
| Non Domestic Rates     | 98.0%                      | 98.5%                      | 98.6%                      | 98.6%                      |

9.4.2 The amount collectable for Council Tax has increased by £11.7m, from £209.9m in 2005/06 to £221.6m in 2006/07. Likewise the amount collectable for business rates has increased from £264.0m in 2005/06 to £279.9m in 2006/07.

## **9.5 Sundry Income**

9.5.1 Overall the collection of current year debt and arrears has improved from 83.8% in 2005/06 to 87.2% in 2006/07.

9.5.2 In respect of the current year debt only, the net amount collectable was £115.1 million with a balance outstanding of £15.7m at 31st March 2007. The amount collectable has increased by £17.1m as compared to the comparable figure last year of £98.0m. Unlike Council Tax and Non Domestic rates where the majority of the amount collectable is raised at the start of the year, sundry debt accounts are raised on a monthly basis and the amount of debt raised in any one month can vary significantly. The main contributing factor to the balance outstanding at 31<sup>st</sup> March is that £13.4m was raised during March alone and £11.1m of this amount was still outstanding on 31<sup>st</sup> March. The figure of £11.1m had been significantly reduced to £4.4m by 30<sup>th</sup> April 2007.

## **9.6 Prompt Payment (BV8 - % of undisputed invoices paid within 30 days)**

9.6.1 The outturn for the year was 91.6% of undisputed invoices paid within 30 days compared to a target of 92%.

9.6.2 This is an improvement of 1.1% from 2005/06 and reflects the expansion of the use of purchasing cards and the development of electronic ordering and invoicing of goods. It is anticipated that this improvement will continue as the number of paper invoices passing through the Council is reduced further.

## **9.7 Annual Efficiency Statement – Backward Look**

9.7.1 For 2006/07 the Authority had an efficiency target of £17.93m, being 2.5% of the Authority's 2004/05 baseline expenditure. This was calculated on actual spend for 2004/05, excluding schools, police revenue expenditure and specific one off grants.

9.7.2 At least 50% of the target, £8.97m had to be of a cashable nature, whereby resources are released, as opposed to non cashable efficiencies which result from delivering enhanced outputs for the same inputs. Against the target of £17.93m, the Authority submitted a Forward Looking Statement to the Department for Communities and Local Government totaling £21.01m of which £15.63m was deemed to be cashable.

9.7.3 The efficiencies that have been achieved during 2006/07, in addition to those already identified, are to be reported to the DCLG in the form of a Backward Looking Statement that must be submitted by 5<sup>th</sup> July 2007.

9.7.4 The Backward Looking Statement for 06/07 has identified efficiencies totaling £21.5m that have been captured during the year. The cumulative value of efficiencies that have been reported by the Authority total £52.7m which, when added to the planned efficiencies captured in the Forward Looking Statement for 07/08, would result in a cumulative total of £65.6m. This exceeds the target over the three year period of £51.2m by £14.4m or 28.1%.

## **10.0 Recommendations**

Members of the Executive Board are asked to:

10.1 note the contents of this report agree the creation of an earmarked reserve and an injection to the capital programme in respect of the Housing Revenue Account as detailed in paragraph 7.8 above.