



## Report of the Director of Corporate Services

### Executive Board

Date: 15th November 2006

Subject: Financial Health Monitoring 2006/07 – Half Year Report

**Electoral wards affected:**

**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

1. The purpose of this report is inform members of the financial health of the authority after six months of the financial year, in respect of the revenue budget for general fund services, the housing revenue account and to receive the Mid Year update of the Annual Efficiency Statement.
2. The report identifies that a number of council services are continuing to face financial pressures in 2006/07, often reflecting pressures which impacted on the Council's 2005/06 outturn.
3. As reported at month four a number of additional funding sources were identified to mitigate against some of the pressures, and these have been allocated to those areas of immediate concern.
4. It is crucial that departments continue to address pressures and implement action plans to manage them within available resources.
5. Members are asked to note the projected financial position of the Authority after six months of the financial year, and to note the decision of the Leader, Chief Executive and Director of Corporate Services to approve the Annual Efficiency Statement – Mid Year update 2006/07 for submission to the Department for Communities and Local Government by the 17th November 2006.

## **1. PURPOSE OF REPORT**

- 1.1 This report updates sets out for the Board the Council's financial health position for 2006/07 after six months of the financial year, although the position has not significantly changed from that reported in September. The report covers revenue expenditure and income to date compared to the approved budget, the projected year end position and proposed actions to ensure a balanced budget by the year end. The report also highlights the position regarding other key financial indicators, including Council Tax collection and the payment of creditors.
- 1.2 In addition, this report sets out the Council's efficiencies which have been achieved during 2006/07 to date and the value of efficiencies which are expected to be achieved by the year end.

## **2. BACKGROUND INFORMATION**

- 2.1 Members will recall that the net budget for the general fund was set at £486.5m, which provided for a contribution of £0.3m to reserves. As a result, the level of general fund reserves at 31<sup>st</sup> March 2007 were estimated to be £12.3m.
- 2.2. As reported in the 2005/06 outturn report to Board in June 2006, spending for 2005/06 was £1.4m in excess of approved estimates. The effect of this was that reserves at 31<sup>st</sup> March 2006 stood at £10.6m, which was lower than the £12.0m forecast assumed in the Council's approved reserves policy. However, as reported, significant capital finance savings in 2006/07 had been identified, and it was agreed by Executive Board that reserves should immediately be replenished, with the balance allocated to the Council's contingency to provide some level of resource to deal with any recurring spending pressures.
- 2.3 Budget Monitoring is a continuous process throughout the year, and this report summarises the position of the budget after six months.

## **3. MAIN ISSUES**

- 3.1 As reported at month four, the budget pressures experienced by the Social Services Department in 2005/06 have continued to some degree in the current financial year and the 2006/07 budget includes challenging targets for service improvement and realignment with associated financial savings. Although much has now been achieved in the current year, there has been some slippage in delivering the required actions and demand/demographic pressures continue to impact on the service.
- 3.2 The department has produced an action plan to in respect of their 2006/07 budget which is being closely monitored. Provision has also now been included in the projection in respect of agreed reductions in the Supporting People contract within Social Services to reflect efficiency savings. There may be some limited scope for this overall impact to be mitigated.
- 3.3 The trading position at Roseville Enterprises is still under careful review and work continues to secure firm commitments for window and door work in the current year and a year end deficit of £0.5m is forecast at this time. This is after actioning a virement of £1m as recommended by the Board.
- 3.4 Whilst work is still ongoing to establish the impact of the potential shortfall in HMO licences, this projection still assumes a £2.8m in year deficit.

- 3.5 On 14th September 2006, the Department of Communities and Local Government announced the Year 2 LABGI scheme and the impact of this for Leeds has been assessed at £5.2m above the budget for 2006/07, although £1.2m had already been assumed in the month 4 report the Board. In addition final settlement relating to the Yorkshire Enterprise company (YEL) has now been agreed in the sum of £0.3m
- 3.6 Assuming all other services can deliver their action plans the overall projection is an overspend £1.7m, as summarised in the following table:-

### Summary Position

<b>Total General Fund Projected Variations</b>	<b>£m</b>
Social Services	3.8
HMO Licencing	2.8
Other	0.9
 Actions agreed at Executive Board 20th September 2006	 3.2
 Additional resources:-	
Debt rescheduling	(3.5)
LABGI additional income	(5.2)
YEL	(0.3)
 <b>Revised Balance</b>	 <b>1.7</b>

## 4 REVENUE BUDGET MONITORING POSITION - HOUSING REVENUE ACCOUNT (HRA)

- 4.1 An in year deficit of £0.8m is currently forecast for the HRA. This projection assumes that there will no longer be sufficient right to buy, demolitions and other disposals to allow the Authority to hit the trigger of 3000 property movements over two years. Current indications are that there is a strong likelihood that this trigger will not be met which would result in a cost of £2.2m in 06/07 and in each subsequent year the trigger is not met. Reserves of £2m are held to alleviate the first year impact.
- 4.2 The department is continuing to explore options to ensure the subsidy trigger is met, including the acceleration of demolition programmes and reviewing the Right to Buy process to bring forward sales into the current financial year. Reductions in RTBs is affecting a number of authorities.
- 4.3 The projection reflects the re-distribution to the ALMOs of savings generated through a reduction in disrepair claims in 2005/06, for which a specific provision of £1.9m was made at outturn, as reported to Members in the 2005/06 outturn report.
- 4.4 On the basis the working balance carried forward to 2007/08 will be £4.6m.

## 5. ANNUAL EFFICIENCY STATEMENT

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

- 5.2 In addition to delivering efficiencies totalling 2.5%, at least 50% of these (1.25% or £8.97) 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 this target of £17.93m, the Authority submitted a Forward Looking Statement for 2006/07 totalling £21.01m.
- 5.3 At the mid point the Council is still on target to achieve efficiencies for 2006/07 in excess of £21m. Taking into account efficiencies reported in 2004/05 and 2005/06 of £31.01m, the cumulative position is projected to be £52.06m against a cumulative target of £33.27m.

## **6. COLLECTION OF LOCAL TAXATION**

- 6.1 The level of Council Tax collected at the end of September 2006 is 56.1% of the debit for the year of £213m, and the performance target of 96.60% is expected to be achieved.
- 6.2 The collection of non-domestic rates for the first six months is 462.3% of the current net debit of £277.5m, which is 1.0% ahead of the same period last year. Again, the performance target of 98.6% is expected to be achieved at the year end.

## **7. PROMPT PAYMENT OF INVOICES**

- 7.1 A local target of 92% for paying all undisputed invoices within 30 days of receipt of agreed terms was set for the year. The first half year performance of 90.7% is slightly behind the target although work is ongoing to improve performance through the continued development of electronic ordering and invoicing of goods, and expanding the use of purchasing cards.

## **8. RECOMMENDATION**

- 8.1 Members of the Executive Board are asked to note the projected financial position of the Authority and to note the decision of the Leader, Chief Executive and Director of Corporate Services to approve the Annual Efficiency Statement – Mid Year update 2006/07 for submission to the Department for Communities and Local Government by the 17th November 2006.