
Report of the Director of Resources

Executive Board

Date: 3rd November 2010

Subject: Financial Health Monitoring 2010/11 – Half year Report

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

X

Not Eligible for Call In

(Details contained in the report)

☐

Executive Summary

1. The purpose of this report is to inform members of the financial health of the authority at the half year stage of the financial year in respect of the revenue budget and the housing revenue account.
2. The report identifies a number of pressures, particularly affecting income and demand led budgets. An overall overspend of £8.5m is projected at the half year stage compared to £3.6m at the end of the first quarter. Detailed directorate reports are included at Appendix 1.
3. Directorates have already developed and implemented a number of action plans but in light of the current projection, further options need to be articulated that will significantly reduce the funding gap by the year end.
4. Members are asked to note the projected financial position of the authority after six months of the financial year together with the impact on reserves should directorate spending not be maintained within approved estimates.
5. Members are also requested to approve budget adjustments as detailed in the report.

1. PURPOSE OF REPORT

- 1.1 This report sets out for the Board the Council's financial health position for 2010/11 at the half year stage of the financial year. The report covers revenue expenditure and income projected to 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 A separate report on the Capital Programme can be found elsewhere on this agenda.

2. BACKGROUND INFORMATION

- 2.1 Members will recall that the net budget¹ for the general fund was set at £569.3m, which was not supported by the use of any general fund reserves. As a result, the level of general fund reserves at 31st March 2011 were estimated to be £12.0m.
- 2.2 As reported to Corporate Governance and Audit Committee² in the 2009/10 Statement of Accounts report on 30th June 2010 the balance carried forward at 31st March 2010 was £16.0m. This figure could have changed if there were any significant events prior to the sign off of the accounts but there have been no variations to this position.
- 2.3 Budget Monitoring is a continuous process throughout the year, and this report reviews the position of the budget after six months and comments on the key issues impacting on the overall achievement of the budget for the current year.

3. MAIN ISSUES

- 3.1 After six months of the financial year an overspend of £8.5m is projected as detailed in table 1.
- 3.2 As part of the budget monitoring process, action plans built into budgets have been reviewed and the above projections do assume the continuing delivery of action plans both corporately and within directorates.

Table 1

Directorate	Director	(Under) / Over Spend for the current period				First Quarter (Under)/Over Spend £000
		Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000	
Adult Social Care	Sandie Keene	(1,376)	9,696	494	8,813	7,442
Children's Services	Nigel Richardson	(1,088)	11,331	(3,254)	6,989	4,717
City Development	Martin Farrington	737	(3,480)	3,285	542	469
Environment & Neighbourhoods	Neil Evans	1,074	(3,224)	3,963	1,813	1,984
Resources	Alan Gay	(2,057)	1,236	(607)	(1,428)	(1,584)
Corporate Governance	Nicole Jackson	346	7	(545)	(192)	(308)
Planning, Policy and Improvement	James Rogers	120	(131)	(104)	(115)	(115)
Total		(2,244)	15,434	3,231	16,421	12,605

Corporate issues	
Rolled up interest	(600)
Capitalisation	(2,500)
Contingency Fund	(2,100)
Loss of LABGI grant	500
Use of balance sheet items	(3,200)
Total	8,521

3.3 Full details of directorate variations and proposed actions to help achieve a balanced budget are attached as Appendix 1. These variations reflect all approved virements to date. The main variations can be analysed as follows:

3.3.1 Staffing

The overall staffing budget is projected to underspend by £2.2m compared to £2.9m at the first quarter. This reflects the continued management of vacancies, overtime and the use of agency staff throughout the Council, partly offset by £0.5m reflecting the impact on the staffing budget of the in year reductions in grants. In some areas, services are managing workforce change and redesigning services to meet reduced demand. This particularly applies to City Development and Neighbourhoods and Housing.

3.3.2 Other Expenditure Variations

Other expenditure variations total £15.4m compared to £13m at the first quarter. Externally provided placements, both residential and with independent fostering agencies, continue to be a major pressure on the Children's Services budget and are projected to be £11.1m overspent at the end of the financial year, an increase of £3.1m. Within Adult Social Care, residential and nursing care placements have increased by £1.5m from the first quarter position and the service is forecast to be £4.8m above the budget. This trend is repeated in Domiciliary Care, projected to be £4.8m higher than budget, an increase of £0.5m. As reported in the first quarter, Service User contributions for home care and residential care is reduced by £0.7m. In addition, pressures on the Learning Disability pooled budget amounts to £0.8m.

3.3.3 Income

Income variations are broadly in line with the first quarter position. The main pressures being car parking £1.0m, recreation £0.7m, and architectural design services £0.4m. In addition, within Environment and Neighbourhoods, Yorkshire Forward has reduced its grant to the Jobs and Skills service £0.4m, and the Leeds Asylum service is to have the number of asylum seekers in the contract reduced, which coupled with the loss of the Hillside Induction contract amounts to a net cost of £0.6m.

3.3.4 Corporate Issues

The 2010/11 budget included a challenging savings target in respect of debt charges. As at month 6 £2.5m is still to be achieved, although it is anticipated that by pro-active treasury management this saving will be achieved.

The latest projection assumes additional capitalisation of £2.5m can be achieved at the year end, based on the levels achieved in 2009/10.

A general provision of £3.2m for unforeseen events was included in the contingency fund. It is now proposed to earmark £2.1m of this amount to reduce the impact of directorate pressures.

A detailed examination of balance sheets has resulted in £3.2m being made available to support in year budget pressures. This is one off funding and will have implications for future years, which will require addressing as part of the budget preparation for 2011/12. In addition, it is proposed to utilise the remaining Education Leeds operating surplus to offset the budget pressures in Children's services. Again this is one off.

3.3.5 It is important that budget pressures are addressed by directorates who are required to continue to develop and implement action plans to manage their pressures within available resources. It is imperative that these action plans are robust and will deliver a balanced budget by the year end.

3.3.6 The extent to which these action plans are not effective in containing spending within approved estimates will impact on the Council's reserves which will clearly have implications on the medium term financial plan assumptions going forward.

3.4 Budget Adjustments

3.4.1 Within Adults Social Care the directorate has identified a number of in-year underspends that are to be transferred to offset directorate pressures. Staffing savings within the budget of the Chief Officer Access & Inclusion amount to £1,400k and contract savings from the Chief Officer Strategic Commissioning total £650k. Of this £2,050k it is proposed that £1,050k is transferred to the independent sector domiciliary care budget and £1,000k to the residential and nursing care placements budget, both of which are the responsibility of the Chief Officer Access & Inclusion. These items require approval by Executive Board.

3.4.2 Within City Development, the directorate is proposing to make savings on the Highway maintenance budget of £1.25m, £0.842m from the Local Enterprise Growth initiative (LEGI) budget and £0.3m from the library book fund to reduce the projected impact of other pressures.

- 3.4.3 There are also a number of other in year underspends detailed in the directorate reports. It is proposed that these are used to offset overspends within the relevant directorates which, in accordance with the virement rules, do not require formal approval by Executive Board.

4. Risks

- 4.1 The Council has prepared and maintained a financial risk register for a number of years. The register details the risk and consequences, existing controls to mitigate against the risk, the value in monetary terms of the risk, review dates and progress towards managing the risk within existing resources. The register is prepared before the start of each financial year and is monitored on a regular basis. Any significant changes will be reported to this Board as part of the financial health report.
- 4.2 After six months of the year there remain 13 risks which are high or very high. As shown in the table below there is 1 new risk, and 1 has moved from medium to high.

			Quarter 1			Quarter 2		
	Risk	Key Budget Impacted	P	I	Corporate Rating	P	I	Corporate Rating
↑	The increase in the Children's and Young Persons Social care externally provided residential placement budget (£2.1m) may not be sufficient to meet demand.	Children and Young People Social Care	4	5	Very High	5	5	Very High
↑	The increase in the fostering budget (£2.1m) may not be sufficient to meet demand. In addition, slippage on the budgeted action plan around recruiting additional in-house carers and reducing the use of externally provided Independent Fostering Agency placements may not be achieved.	Children and Young People Social Care	4	5	Very High	5	5	Very High
↑	Indicative weekly placement allocations Gatekeeping panels and weekly monitoring of their decisions Monthly monitoring of placement numbers in payment Performance monitoring of personalisation targets (Direct Payments and /Individual Budgets) Monthly budget monitoring and reporting	Access & Inclusion	4	4	Very High	5	4	Very High
New Risk	The price of fuel rises above the budgeted price per litre.	Streetscene Services	N/A			4	3	High
↑	Income from planning and building fees falls short of the budget assumptions. The budget in 2010/11 has been reduced by £1.1m. This assumes there will be some improvement in economic conditions from 2009/10. Further deterioration could have a significant impact on the income base. The combined budget is £5m, up to £0.75m is considered at risk.	Planning and sustainable Development	3	2	Medium	3	3	High

5 HOUSING REVENUE ACCOUNT (HRA)

- 5.1 At the end of the half year the HRA is projecting a deficit of £45k.
- 5.2 Average void levels for the period are lower than budgeted, which if maintained will generate additional rental income of £2.3m. £1.8m of this will be paid over to the ALMOs as additional void incentive payments.
- 5.3 As detailed in the directorate report attached, it is proposed that a replacement Care Ring emergency alarm scheme is funded from HRA reserves at a cost of £733k in the current. This would leave projected reserves carried forward of £3.9m. Members of Executive Board are requested to give approval to the use of reserves for this purpose and the injection of this amount into the Capital Programme.

6. SCHOOLS

- 6.1 School reserves stood at £17.1m as at 31st March 2010. This comprised overall surpluses of £12.4m in primary, £4.3m in secondary and £0.4m in Specialist Inclusive Learning Centres (SILCs). It should be noted that within these overall surpluses there were some individual schools with deficit balances. The average primary school balance was 6.2%, the average secondary school balance was 2.1% and the average SILC balance was 2.5% of the school budget. Excess individual school surpluses above specified limits were subject to claw back and redistribution to the other schools. These totalled £159k in 2009/10.
- 6.2 In line with the Leeds Scheme for Financing Schools, any school which had a deficit at the close of 2009/10 and were planning to set a deficit budget for 2010/11 are required to submit an action plan showing in detail how they intend to achieve a balanced budget position within three years. All of these action plans (11 schools) have now been submitted to Education Leeds and assessed for their viability with implementation monitored regularly. They were also submitted to the Director of Resources as per the approved policy.

7. OTHER FINANCIAL PERFORMANCE

- 7.1 The level of council tax collected at the end of Sept 2010 is 55.89% of the debit for the year of £259.7m. This is marginally ahead of the same period last year, and on track to hit the target of 96.5%.
- 7.2 The collection of non-domestic rates for the first six months is 61.59% of the current net debit of £328.8m. The collection rate is 0.8% ahead of the rate at the end of the second quarter last year. This improvement is partially due to the impact of the additional Small Business Rate Relief, however the underlying trend indicates collection is again on track to hit the target of 97.8%.
- 7.3 In terms of Sundry income, the collection rate at the end of Sept is 93.83% of the amount due of £68.5m. The collection rate is ahead of the rate at the same point last year and on course to hit the yearly target of 97.0%.
- 7.4 The prompt payment result at the half year is 89.11% of undisputed processed within 30 days against a target of 92%. During the period 287,042 invoices were paid, of which 31,253 were paid after 30 days. Overall 92.3% of invoices are paid within 40 days and 100% of small suppliers are paid within 20 days.

8. RECOMMENDATION

- 8.1 Members of the Executive Board are asked to note the projected financial position of the authority after six months of the financial year and request that directorates continue to develop and implement action plans which are robust and will deliver a balanced budget by the year end. Members are also asked to note the actions which Directorates are currently taking including using identified underspends to offset projected areas of overspend.
- 8.2 Members are also requested to approve the release of £733k from the Housing Revenue Account Reserve to fund the cost of a replacement Care Ring emergency alarm scheme and the injection of this amount into the Capital Programme.
- 8.3 Members are also requested to approve virements within Adult Social Care as detailed in paragraph 3.4. above.

BACKGROUND

¹ Revenue Budget and Council Tax 2010/11 – report to Executive Board 12th February 2010

² The Statement of Accounts 2009/10 – report to Corporate Governance and Audit Committee 30th June 2010

Reporting Period September 2010

Directorate **Adults Social Care**

	Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period				First Quarter (Under)/Over Spend £000
				Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000	
A		Partnership & Organisational Development	Deputy Director-Partnership and Organisational Effectiveness	(56)	85	(3)	26	20
R		Access & Inclusion	Chief Officer Access and Inclusion	(1,568)	9,771	508	8,711	7,675
G		Strategic Commissioning	Deputy Director Strategic Commissioning	(210)	(689)	46	(854)	(51)
G		Resources	Chief Officer Resources & Strategy	(57)	27	0	(30)	(533)
R		Learning Disabilities Service	Chief Officer Learning Disabilities	515	502	(57)	960	332
R		Total		(1,375)	9,696	494	8,813	7,443

ADULT SOCIAL CARE DIRECTORATE: 2010/11 BUDGET – PERIOD 6 REPORT

1.0 Introduction

This report sets out the financial position for the Adult Social Care directorate for Period 6.

Part of the context for the current position relates back to the 2009/10 outturn, which was £7.7m higher than the budget. The main variations related to community care packages, mainly for older people and people with learning disabilities.

The 2010/11 budget included additional resources for Adult Social Care of £4.5m. However, additional requirements significantly exceeded this increased funding, mainly reflecting the demographic pressures affecting older people's and learning disability services that impacted on the 2009/10 outturn. In order to fund them £18.4m of measures needed to be included within the 2010/11 budget for different ways of spending.

2.0 Overall Summary

The Period 6 position for the Adult Social Care Directorate is a projected overspend of £8.8m compared with the Net Managed Budget of £181.3m. This takes account of the following savings on target to be delivered by the year-end:

Budgeted spending realignment (£18.4m budget target)	£10.8m
Further in-year action plans & contingency actions	£4.1m
Savings that have avoided additional costs being incurred	£2.2m

In summary, the projected variance of £8.8m is made up of three main elements:

Slippage with budgeted action plans	£4.0m
Demand management issues	£7.1m
In-year savings & other variations (net)	(£2.3m)

3.0 Explanation of the Projected Overspend

The main projected variances are explained below:

- **Community Care Packages - £9.4m**

- Residential and Nursing Care Placements - £4.8m

- The 2009/10 outturn for placements was £64.8m. The 2010/11 budget was set at £59.4m, anticipating an accelerating downward trend and reflecting a number of planned actions. Some of these totaling £1.3m have been successfully delivered, for example managing inflation and making better use of in-house beds, although a shortfall of £0.7m is currently projected against these plans. However, based on six months of rigorous gatekeeping the total number of placements is projected to exceed the budget and thus anticipated demand management savings will not be achieved. This accounts for £4.1m of the projected overspend, but it is important to note that the projected outturn of £64.2m is £0.6m less than the 2009/10 outturn. With regard to managing demand, there are two significant factors that are outside the direct control of Adult Social Care:

- Activity levels within hospitals, which increased significantly in April 2009 and have remained at a similar level since. In addition, people are being placed in residential and nursing care direct from hospital without a further period for recovery and assessment, which is contrary to good practice guidelines. There have been 337 such placements between April and September. Work is underway with NHS Leeds to attempt to address these issues.
- When former self-funders reach the threshold for local authority funding the Council has a legal duty to begin paying for their continued placement. 53 such cases were taken on in the first six months of 2010/11.

The scrutiny at gatekeeping panels has confirmed that people are being placed appropriately and the average age of clients placed to date this year is 83 years.

Independent Sector Domiciliary Care - £4.8m

The 2010/11 budget was set anticipating an improvement in the take-up of work by the directly provided service, a reduced need for high cost packages through the impact of reablement and telecare and savings through contracting efficiencies. Accordingly, the 2010/11 budget was set at £4.4m less than the 2009/10 outturn. Some measures are succeeding with projected savings totaling £0.8m, mainly from telecare and contracting efficiencies. In addition, based on the increased productivity within the directly provided service since the start of the financial year, spend of £2.2m in the independent sector has been avoided. However, there has been slippage in delivering the budgeted reablement savings which reflects a lack of programme management capacity for this major piece of work until the start of the financial year and lessons learned from the early implementer areas necessitating full roll-out being rescheduled over a longer time period. This, together with some relatively minor slippage on other planned actions, accounts for £2.4m of the projected overspend. The remaining £2.4m reflects increased demand that has continued since the 2010/11 budget was set. Significant contributory factors outside the direct control of Adult Social Care are the hospital admission and discharge rates and the level of demand for care from people with eligible social care needs. Rigorous gatekeeping arrangements have been in place for the last six months, which has identified that the packages being approved are appropriate given the needs of customers and the average age of people approved to receive intensive care packages is 84 years.

Direct Payments & Personal Budgets – (£0.2m)

This expenditure reflects the extent to which customers choose to receive their services as a cash payment rather than through traditional services and the level of need being met by the care package. This expenditure is currently projected to be £0.2m lower than budgeted based on trends in spend over recent months.

- **Learning Disability Pooled Budget - £0.8m**

The Council and NHS Leeds share the responsibility for the learning disability pooled budget on a 60:40 basis. The overall projection for the pooled budget is currently £1.3m higher than budgeted, of which the Council's share is £0.8m. The 2010/11 budget made provision for new care packages based on cases expected to transfer from children's to adult services and projected spend is in line with the budget. A further provision was made for new or increased care packages for other potential customers, for example those living with elderly

family carers whose increasing age and frailty means they can no longer provide care. The projected costs for these cases are higher than budgeted, with three complex cases approved at the start of the year amounting to £0.7m.

- **Staffing – (£1.4m)**

This reflects the careful management of vacancies, agency staff and overtime across services. This includes the impact of contingency actions being implemented by Chief Officers to mitigate the pressures within the community care budget.

- **Housing Benefit Income – (£0.3m)**

The 2010/11 budget reflected the planned transfer of some supported living properties from Adult Social Care to the management of the ALMOs. This was planned so that the management of the properties would be clearly separated from the provision of care and support services in line with Care Quality Commission requirements. Additional Housing Benefit income of £0.3m is projected as the transfer of these properties has not yet taken place. This additional income is partly offset by the running costs of the properties.

- **Service User Contributions - £0.7m**

This partly reflects the roll through into 2010/11 of the lower than budgeted home care income identified in the final quarter of 2009/10. It also reflects residential care income being below the budget as more beds than anticipated have been either unoccupied or occupied by transitional care cases which do not generate a customer contribution. There is excess capacity within the residential care sector in Leeds and recently some new purpose-built care homes with the most modern facilities have become operational, both of which have affected demand for beds in Council run homes.

The continued upward trend in care requirements remains a cause for concern. Whilst some allowance has been made in the projections for increased demands in future months, continued growth at the current rate will lead to an increase in the projection.

4.0 Virements for Approval

The directorate has identified a number of in-year underspends that are to be transferred to offset directorate pressures. Staffing savings within the budget of the Chief Officer Access & Inclusion amount to £1,400k and contract savings from the Chief Officer Strategic Commissioning total £650k. Of this £2,050k it is proposed that £1,050k is transferred to the independent sector domiciliary care budget and £1,000k to the residential and nursing care placements budget, both of which are the responsibility of the Chief Officer Access & Inclusion.

As part of the first quarter financial health report, the responsibilities of the former Chief Officer Support & Enablement were transferred to other Chief Officers. It has now been identified that the community support service for extra care housing schemes that was transferred to the Chief Officer Access & Inclusion is now the responsibility of the Chief Officer Older People & Learning Disability. The budget for this service is £340k.

When the 2010/11 budget was set £388k was held within the training budget for the Chief Officer Resources and Strategy pending service requirements being clarified. Approval is now sought to transfer £197k to the contribution to the Learning Disability

Pooled Budget (Chief Officer Older People & Learning Disability). Approval is sought to transfer £191k to the internal recharge income budget for the Quality and Performance Team (Deputy Director Strategic Commissioning) so that the budget properly reflects the recharge to Children's Services for this team no longer being required.

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Directorate Children's Services

Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period				First Quarter (Under)/Over Spend £000
			Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000	
G	Early Years	Chief Officer Early Years and Youth Services	(1,580)	(237)	(362)	(2,178)	(1,500)
R	Integrated Youth Support Service	Chief Officer Early Years and Youth Services	37	488	263	787	242
R	Children's Social Care	Chief Officer Children and Young People's Social Care	468	11,093	(722)	10,839	7,693
G	Youth Offending Service	Chief Officer Early Years and Youth Services	47	(79)	(579)	(611)	(69)
G	Dcs Unit	Deputy Director – Commissioning	(61)	65	(25)	(20)	251
G	Support Costs and Central Accounts	Deputy Director – Commissioning	0	1	(4)	(3)	0
G	Education Leeds	Deputy Director – Commissioning	0	0	(1,825)	(1,825)	(1,900)
R	Total		(1,088)	11,331	(3,254)	6,989	4,717

CHILDREN'S SERVICES: 2010/11 BUDGET – PERIOD 6 REPORT

1.0 Introduction

This report sets out the half-year financial position for Children's Services.

2.0 Overall Summary

The half-year position for Children's Services is a projected overspend of £7m. This projection recognises financial pressures in 2010/11 of around £22m which reflects increasing demand pressures and also the in-year reductions in grant funding, including the £5m reduction in Area Based Grant. These pressures are offset by £15m of budget action plans and savings/efficiencies across the Directorate, including the delivery of the Children's Services integration budget action plan, utilising balance sheet reserves, the grant/funding reductions strategies as well as the Children's Centre sustainability programme.

3.0 Explanation of the projected over/underspend

3.1 Within the overall Children's Services budget the individual service position is;

	Period 6 Over/(under) £m	Period 3 Over/(under) £m
DCS Unit & Central	-	0.2
Children & Young People's Social Care	10.8	7.7
Youth Service & Youth Offending Service	0.3	0.2
Early Years	(2.2)	(1.5)
Education	(1.9)	(1.9)
Total – Children's Services	7.0	4.7

3.2 Summary of key issues

3.2.1 The main financial pressure in Children's Services, continues to be in the externally provided residential and fostering budgets. At present, the forecast impact in 2010/11 of the current placements, less revised action plan savings, is **£11.14**.

		Latest Budget £m	Forecast Outturn (P6) £m	Forecast Variation (P6) £m	Movement from P5 Adv/(fav) £m
1) General Residential Placements	Gross Cost	5.82	12.08	6.26	0.30
	Income from Health	(0.59)	(0.60)	(0.01)	0.00
	Income from Education	(0.30)	(0.28)	0.02	0.00
	Total	4.93	11.20	6.27	0.30
2) Other Residential Placements	Gross Cost	1.27	1.86	0.59	0.06
3) Independent Sector Fostering Agencies	Gross Cost	2.09	7.03	4.94	(0.04)
	Less: Budget Savings Plan	0.00	(0.66)	(0.66)	0.24
	Total	2.09	6.37	4.29	0.20
4) Grand Total	Gross Cost	9.18	20.97	11.79	0.32
	Budget Savings Plan	0.00	(0.66)	(0.66)	0.24
	Income from Health	(0.59)	(0.60)	(0.01)	0.00
	Income from Education	(0.30)	(0.28)	0.02	0.00
	Total	8.29	19.43	11.14	0.56

3.2.2 The half-year financial projections recognise the growth in the number of looked after children and specifically the continuing growth in the number of externally provided residential and fostering placements. At the end of September, there were 80

children & young people in externally provided residential placements (48 budgeted for) and 168 children & young people in placements with Independent Fostering Agencies (44 budgeted for). Recognising the current growth trend around new placements, the financial projections include a £1m provision for new placements to the end of March 2011. In addition, it should be noted that the projections also include budget action plans around securing contributions from partners (£0.5m) and £0.66m around placements with Independent Fostering Agencies. The pressures on the external placement budgets are partly offset by projected savings of £1.2m on the in-house allowances & fees budgets, which reflects the changing mix of placements.

- 3.2.3 Other budget pressures in Children & Young People's Social Care include a £0.4m pressure on the cost of legal advice/fees, and also a £0.3m pressure on client transport which is mitigated by a budget action plan of £150k around procurement efficiencies and a review of journeys for Looked after Children.
- 3.2.4 In Early Years, the £2.2m forecast underspend is largely being generated across the staffing budgets and in particular across the Early Years managed Children's Centres. In recognition of the £2.49m in-year reduction in Area Based Grant funding across Leeds Children's Fund, Connexions, Positive Activities and Engage, the service is currently implementing the in-year variations to contracts in respect of Sure Start and Leeds Children's Fund. In addition, the service is managing in-year reductions in the Nursery Education Pathfinder Grant (£0.15m), the Buddying grant (£0.18m) and Playbuilder grant (£20k).
- 3.2.5 Across the Integrated Youth Support Service (including the Youth Offending Service), we are anticipating an overspend of £0.3m. This forecast recognises the strategy to manage the £2.49m in-year reduction in Area Based Grant funding across Leeds Children's Fund, Connexions, Positive Activities and Engage. Following Executive Board approval, the service is currently implementing the agreed strategy which includes action to review and reduce contracts & funding agreements across both in-house and externally provided services. This strategy seeks to prioritise remaining funding towards targeted and specialist provision although recognising that the Council still has a statutory responsibility for universal advice & guidance. In addition, the forecast overspend recognises the slippage on the implementation of the budget action plan in respect of the Community Use of Schools and also a budget action plan to utilise a £0.5m Youth Offending Service earmarked reserve.
- 3.2.6 The forecast balanced position on the DCS & Central budgets reflects that the £1.25m integration & commissioning budget action plan savings will be delivered in full in 2010/11. Against, this £1.25m target, we have actioned £0.4m of savings and the remaining balance will be delivered through in-year savings and efficiencies across Education Leeds.
- 3.2.7 The £1.9m forecast underspend on the Education budgets relates wholly to the budget action plan proposal to utilise the remaining Education Leeds operating surplus to offset the budget pressures elsewhere in Children's Services. In addition, as per para 3.2.6, Education Leeds are projecting in-year savings and efficiencies of £0.8m which will be used to deliver part of the budget action plan target around integration and transformation of Children's Services.
- 3.2.8 Work is continuing across Children's Services to identify further opportunities to reduce the £7m forecast overspend. This work includes maintaining the current restrictions on staffing recruitment and also continuing to limit spend to those items which are essential.

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Directorate City Development

	Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period				First Quarter (Under)/Over Spend £000
				Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000	
G		Economic Services	Chief Economic Development Officer	(89)	(591)	(137)	(817)	(1,080)
R		Asset Management	Chief Officer Asset Management	205	(435)	613	383	567
G		Highways and Transportation	Chief Officer Highways and Transportation	(550)	(1,669)	(17)	(2,237)	(1,881)
G		Libraries, Arts and Heritage	Chief Libraries, Arts and Heritage Officer	(216)	(199)	174	(241)	(30)
R		Recreation	Chief Recreation Officer	729	(496)	838	1,072	873
G		Resources and Strategy	Chief Officer Resources and Strategy	1	(214)	113	(101)	(70)
R		Planning and Sustainable Development	Chief Planning and Sustainable Development Officer	657	124	1,702	2,482	2,088
R		Total		737	(3,480)	3,285	542	469

CITY DEVELOPMENT DIRECTORATE: 2010/11 BUDGET – PERIOD 6 REPORT

1.0 Introduction

This report sets out the financial position for City Development Directorate for Period 6.

2.0 Overall Summary

The Period 6 position for City Development Directorate is a projected overspend of £544k. This is a reduction of £434k on the position reported for Period 5 and is mainly due to a reduction in the projected overspend on staffing across the directorate.

3.0 Explanation of the Projected Overspend

The main reason for the overall projected overspend is a shortfall in income. The shortfall in income across the directorate is forecast to be £3.3m. The income shortfall includes the abolition of the Housing and Planning Delivery Grant (HPDG) and Free Swimming grants with a net impact of approximately £1m.

An overspend on staffing is forecast in some areas where not all the assumed savings have been fully realised and some overspends on running costs where budget actions have yet to be achieved. The major budget variations can be summarised as follows:

	£000s
<u>Major Budget Pressures:</u>	
Building Fees shortfall	414
Planning Fees shortfall	709
Architectural Design Services net income shortfall	413
Recreation income	839
Net Staffing	737
Loss of HPDG	<u>900</u>
	4,012
Offset proposals:	
Contingency release requests	(1,016)
Highway maintenance	(1,250)
Library book fund	(300)
LEGI underspend (Legacy programme)	(842)
Net other variations	<u>(60)</u>
Total	544

Income

Period 6 has seen an improvement in both planning and building fee income. The actual shortfall in planning fees at Period 6 is £327k and £231k for building fees. The year end projected shortfall is £709k for planning fees and £414k for building fees. The service has recently experienced an increase in minor and major planning applications and this has now started being reflected in the income figures. There is

provision in central contingency of £400k for shortfalls in planning and building fee income.

Architectural Design Services has been experiencing reducing workloads for some time and a consultation exercise on the future direction of this service is now being carried out. Overall a net income shortfall of £413k is forecast for the year. This is an improvement on the Period 5 position and is mainly due to a reduction in service costs. The service is also continuing to work on an action plan to deal with the budget position, this includes managing staffing downwards to an appropriate level.

A number of income targets across Recreation Services are unlikely to be met. Some of the shortfall in income will be offset by reduced expenditure.

The announcement of in year cuts to various grants included the abolition of the Housing and Planning Delivery Grant. The directorate had budgeted to receive £900k in 2010/11. The loss of this grant has increased significantly the forecast overspend for Planning and Sustainable Development services. The government grant for the Free Swimming scheme has also been withdrawn from 31.7.10. Although charges will be re-instated there will still be a net shortfall in income in 2010/11.

Staffing

The 2010/11 budget includes challenging saving targets for staffing. All services have been progressing Early Leaver cases and a number of restructures have been taking place in the directorate. The forecast overspend on staffing is £737k which is a reduction on the Period 5 position and reflects the ongoing work across the directorate to actively manage staffing.

Most services are forecast to achieve the target savings. The three services where this is not the case are Planning Services, Parks and Countryside and Sport and Active Recreation. Restructures are being progressed in all three services with the Parks and Countryside structure now approved.

Measures to actively manage staffing will continue to be pursued and all requests for post releases are presented to the City Development Directorate management team. Approvals to fill posts are mostly on a temporary basis, and then only front line posts, where they are required to keep the service open, generate income, or health and safety.

Operational Budgets

Some operational budget overspends are due to delays in the implementation of actions, the Executive Board decision to extend by four months the opening of South Leeds Sport Centre, cost an estimated additional £130k. There will be an overspend of £40k on the Business Support Scheme administered by Economic Development due to additional commitments against the scheme. Other budget pressures include additional expenditure of £235k on planning appeals in Planning and Sustainable Development.

Within the Local Enterprise Growth Initiative programme some schemes have been delayed and it is proposed to utilise the unspent revenue balance of £842k to offset in year directorate pressures although the approval of the Legacy programme means that funding will be required in 2011/12 and 2012/13 for the Legacy Programme.

The projection now includes a number of savings proposals including a reduction in the library book fund of £300k.

The Period 6 projection also incorporates other proposed actions including savings on highway maintenance of £1.25m although the maintenance budget has also been enhanced this year by the receipt of an additional £774k from the 'pot hole' grant. This additional funding will be fully spent on eligible schemes in line with the terms and conditions of the grant. The service is also looking at options for other savings which would reduce the actual saving required on the maintenance budget.

Recommendations

Members of the Executive Board are asked to approve the proposed savings of £1.25m from the highway maintenance budget, £0.842m from the LEGL budget and £0.3m from the library book fund.

Directorate		Environment & Neighbourhoods				(Under) / Over Spend for the current period			First Quarter
Traffic Light	Service	Chief Officer	Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000			(Under)/Over Spend £000
G	Safer Leeds Drugs Team	Chief Community Safety Officer	(10)	10	0	0			0
R	Street Scene Environmental Services	Chief Environmental Services Officer	197	903	(161)	938			682
R	Health and Environmental Action	Chief Environmental Services Officer	460	90	(343)	206			84
R	Car Parking Services	Chief Environmental Services Officer	(238)	(118)	1,143	786			785
G	Community Safety	Chief Community Safety Officer	105	87	(170)	22			108
G	Safer Leeds Partnership	Chief Community Safety Officer	0	0	0	0			(167)
R	Regeneration	Chief Regeneration Officer	540	(4)	(155)	381			515
R	Jobs & Skills	Chief Regeneration Officer	520	109	47	677			525
G	Community Centres	Chief Regeneration Officer	0	(112)	(88)	(200)			(205)
G	Housing Services	Director of Environment and Neighbourhoods	(117)	(3,861)	3,856	(122)			346
G	General Fund Support Services	Chief Officer Resources and Strategy	(53)	2	0	(51)			(66)
G	Waste Management	Chief Environmental Services Officer	(330)	(329)	(165)	(824)			(624)
R	Total		1,074	(3,224)	3,963	1,813			1,984

ENVIRONMENT AND NEIGHBOURHOODS : 2010/11 BUDGET – PERIOD 6 REPORT

1.0 Introduction

This report sets out the financial position for Environment and Neighbourhoods Directorate for Period 6.

2.0 Overall Summary

The period 6 position for Environment and Neighbourhoods Directorate projects an overspend of £1.8m made up of £1.1m on Environment Services, and £0.7m on Neighbourhoods and Housing Services. This projection reflects actions identified to address the in year reductions in both Area Based grant and LPSA2 reward grant.

3.0 Explanation of the Projected Overspend

Neighbourhoods and Housing Services are projecting an overall variation of £0.7m. This position reflects the impact of reductions in Area Based grant, and LPSA2 grant (£1.3m) being addressed through a combination of the utilisation of other funding sources and the identification of efficiency savings. A variance of £0.1m in terms of grant retraction arrangements is reflected in the Directorate's projected outturn position.

Staffing variations of £1.0m largely reflect a combination of grant fallout in 2010/11, the costs associated with staff who are currently in managing workforce change and further work to redesign the Jobs and Skills service to support Council priorities.

Income reductions of £0.4m largely relate to a reduction in the level of grant receivable in the Jobs and Skills service.

The Leeds Asylum Service has received notification from the Regional Migration Team that UK Borders & Immigration Agency (UKBIA) will reduce the number of asylum seekers in the current contract. As a result of this, income is forecast to reduce by £1.4m which is partially offset by savings on running costs of £0.9m. Further, UKBIA have also terminated the Hillside Induction Contract from 1st October, half year effect of this is a net loss of income of £0.2m.

These pressures are partially offset by the identification of expenditure which is more appropriate to charge to the Housing Revenue Account (£0.5m), whilst a review of all items of expenditure has targeted further savings of £0.3m across all services.

Through a combination of identified efficiencies, combined with a higher level of voids with the subsequent reduction in payments to providers, an underspend of £0.7m on the Supporting People grant is projected.

Within Environmental Services an overspend of £1.1m is forecast.

Staffing projections (excluding the effects of grant fallout) across the Division indicate a saving of £0.9m will be achieved.

The delivery of the Streetscene Change Programme has been impacted upon by the fact that the process for the delivery of the identified efficiency savings has proved to be complex and this has resulted in a variation of £0.7m when compared to the

targeted level of saving. However as a result of this, the full year savings are now anticipated to increase to £2.4m from the £2m originally projected.

Ongoing increased fuel prices across Streetscene are estimated at £0.3m and increased repairs on vehicles £0.31, mainly due to landfill damage.

The loss of £1.12m LPSA2 grant which has been partially offset by a retraction of resources utilized, leaves a budget pressure of £0.5m.

Car parking income is projected to be £1.1m lower than the budget and this is largely as a result of reduced patronage of car parks and a reduction in the number of parking offences. The implementation of bus lane enforcement in the City Centre is now scheduled for January 2011.

After a review of all running costs across the division, including landfill, savings of £0.8m have been identified. Additional income of £0.1m is estimated from the increased price of recycled scrap metal and glass.

Housing Revenue Account (HRA)

At the end of Period 6 the HRA is projecting a deficit of £45k.

Key variances - Income

£2.3m of additional rental income is projected from dwellings and miscellaneous properties. This additional income is as a result of void levels being lower than budgeted and the decline in Right to Buy (RTB) sales. Of the increased income it is projected that £1.8m will be paid over to the ALMOs as additional void incentive payments.

Housing Subsidy payments have been reduced by £1m to reflect a reduction in interest rates. This will be offset by a reduction in capital charges to the HRA.

Key Variances - Expenditure

There are projected savings of £276k on salaries and wages, primarily due to posts being held vacant and a number of additional officers taking early retirement at the end of March 2010.

There is a projected overspend of £1,055k on supplies and services. The key reasons for this are as follows: -

- (a) an increase in pass through costs in relation to the Swarcliffe PFI scheme (£210k). These costs will be primarily funded from the PFI Sinking Fund.
- (b) CCTV and Community Centre costs being identified as more appropriate to charge to the HRA (£500k)
- (c) additional costs in relation to the Lifetime Homes PFI (£269k)

Payments to the ALMOs are projected to increase by £1.8m due to the ALMOs receiving incentive payments as a result of void levels being 1.1% less than budgeted.

At Quarter 2 a review of the contribution to the bad debt provision indicated a need to increase the provision by £49k. This is as a result of an increase in Former Tenant and leaseholder arrears.

Use of HRA reserves to fund replacement CareRing equipment

Across the Leeds ALMOs the Care Ring emergency alarm scheme provides a safety net for vulnerable older residents living in sheltered accommodation. The equipment is old (in some cases over 30 years old) and in need of replacement with new digital equipment which is compatible with wider telecare equipment. The current equipment does not meet the functionality in terms of fire alarms as recommended by the Fire Service. The Audit Commission inspections of the Leeds ALMOs all highlighted the need for modernisation of the equipment. Additionally equipment is situated in warden's own accommodation despite the accommodation no longer being a tied or service tenancy. Across the city there are 113 schemes which are in need of replacement.

The total cost for replacement (which includes removal of the old equipment, installation of new and the cost of the kit itself) is £733k. It is proposed that the replacement programme operates over two phases: the first phase being the replacement of the equipment in the homes of retired wardens or void properties and those schemes where the equipment remains in the warden's home. It is proposed to utilise HRA reserves to fund this expenditure and a Design Cost report seeking authority to spend will be submitted in the future.

Reporting Period September 2010

Directorate		Resources		(Under) / Over Spend for the current period				First Quarter
Traffic Light	Service	Chief Officer	Staffing	Other Expenditure	Income	Total (Under) Overspend	(Under)/Over	Spend
			£000	£000	£000	£000	£000	
G	Financial Management	Chief Officer Financial Management	(55)	6	(21)	(71)	1	
G	Business Support Centre	Chief Officer Financial Management	(106)	94	(92)	(105)		(105)
G	Financial Development	Chief Officer Financial Development	(77)	30	(75)	(122)		(84)
R	Cost of Collection	Chief Revenues and Benefits Officer	0	0	178	178		(14)
R	Revenue Services	Chief Revenues and Benefits Officer	64	45	12	121		177
G	Benefits Service	Chief Revenues and Benefits Officer	(186)	(78)	27	(236)		(193)
G	Student Support	Chief Revenues and Benefits Officer	(113)	(13)	0	(126)		(121)
G	Housing Benefit	Chief Revenues and Benefits Officer	0	575	(797)	(222)		(248)
G	Information Technology	Chief ICT Officer	(832)	553	271	(8)		(121)
G	Human Resources	Chief Officer HR	(427)	255	58	(113)		(117)
G	Audit & Risk	Chief Officer Audit and Risk	(322)	(9)	6	(325)		(325)
R	Support Services and Directorate	Chief Officer Resources and Strategy	89	14	0	103		115
G	Public Private Partnership Unit	Chief Officer PPPU	(224)	(35)	225	(34)		80
G	Corporate Property Management	Chief Officer CPM	(318)	(105)	195	(227)		(97)
G	Commercial Services	Chief Officer Commercial Services	(242)	182	41	(18)		(31)
G	Commercial Services Trading	Chief Officer Commercial Services	690	(279)	(634)	(222)		(500)
G	Total		(2,057)	1,236	(607)	(1,428)		(1,584)

Reporting Period September 2010

Directorate Corporate Governance

Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period				First Quarter (Under)/Over Spend £000
			Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000	
G	Legal, Licensing and Registration	Chief Legal Services Officer	228	222	(655)	(204)	(350)
G	Democratic Services	Chief Democratic Services Officer	27	(28)	7	6	40
G	Procurement	Chief Procurement Officer	369	322	(684)	7	2
G	Total		625	516	(1,333)	(192)	(308)

Reporting Period September 2010

Directorate **Planning, Policy and Improvement**

Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period				First Quarter (Under)/Over Spend £000
			Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000	
G	Executive Support	Assistant Chief Executive	0	0	0	0	10
A	Customer Services	Chief Officer Customer Services	71	(133)	89	27	(10)
G	Leeds Initiative & Partnerships	Chief Officer LIP	213	17	(260)	(30)	(90)
G	Business Transformation	Chief Officer Business Transformation	(115)	130	(16)	0	154
G	PPI Management & Support	Assistant Chief Executive	(49)	(146)	83	(112)	(178)
G	Total		120	(132)	(104)	(115)	(115)

CENTRAL AND CORPORATE FUNCTIONS: 2010/11 BUDGET – MONTH 6 REPORT

1.0 Introduction

This report sets out the financial position for Central and Corporate Functions for period 6 of 2010/11.

2.0 Overall Summary

The savings proposals agreed by CLT and LMT in July have now been incorporated in the year end projections which shows an overall underspend of £1.7m.

3.0 Explanation of the projected underspend

3.1 Resources (£1,428k underspend)

The main contributor to the forecast underspend is savings on staffing budgets amounting to £2.2m. This reflects the tight control on release of vacancies that has been in place since mid 2009/10.

Following on from last year's (year end) review of bad debt provision in respect of housing benefit overpayments, a saving of £200k is forecast in 2010/11.

Corporate ICT are currently projecting pay savings of £832k, however the time recording system indicates that there will be a shortfall in the level of capitalisation of time spent on ICT developments due to the lower staffing levels. A pressure of £300k has been included in the month 5 projections.

As reported last month, a shortfall in the budgeted savings from the conversion of Direct Exchange Lines to the Council's network of £348k is still predicted.

The number of summons for non-payment of Council Tax and NNDR has fallen in the first quarter compared to last year and the assumptions made in the budget. The projected full year impact is £150k. However, the reduction is partly due to 'improved targeting' meaning that a higher percentage of debt is collected prior to the instigation of formal recovery action.

The outcome of a National Non Domestic Rates (NNDR) revaluation of the Leonardo Building has resulted in a windfall of £133k in the current year.

Commercial Services and Corporate Property Management have identified savings totaling £750k that will be passed through to internal clients. Also, Public Private Partnership Unit (PPPU) charges to clients are projected to be £281k less than the Original Estimate. Please note an element of the overall pay savings of £2m are passed directly through to clients in the form of reduced charges.

In addition an amount of £177k will be brought into the revenue account from the 'PPPU staff retention' reserve as this will no longer be required. This is a one-off gain.

3.2 Planning, Policy and Improvement (£115k underspend)

As per last month, an overall underspend of £115k is still projected. The savings plan to achieve this assumes:

- Reduction of 'About Leeds' from 4 to 2 editions, stop residents survey follow up, BT and Yellow Pages ads and other consultation work (£109k)
- Customer Services, £143k, mainly staffing savings
- Reduction in 'grant' to Marketing Leeds (£50k)
- Leeds Initiative and Partnership running costs (£30k)

3.3 Corporate Governance (£192k underspend)

The position is unchanged from month 5.

The Procurement Unit and Democratic Services are largely on-line to come within budget.

Legal, Licensing and Registration are projecting an underspend of £204k which represents the in-year savings action plan offset by the Government's direction to cease the charge for 'personal' property searches. The impact of this change, implemented on 18.8.10, as well as the scrapping of the HIP's packs and also the general dip in the housing market has resulted in a £128k pressure in the Local Land Charges budget.