



**Report of the Director of Resources**

**Executive Board**

**Date: 22<sup>nd</sup> June 2011**

**Subject: Financial Performance – Outturn 2010/11**

**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 2011, prior to the publication of the annual accounts.

2010/11 has presented a number of financial challenges, with the Council having to meet increasing demand pressures, generate efficiencies and maintain key front line services whilst dealing with the impact of the economic downturn. In addition, the Council has had to deal with a £15.0m in-year reduction in revenue grants and £12m in capital grants. A number of actions were taken corporately and within directorates to mitigate against these pressures, As explained in the 3<sup>rd</sup> quarter financial health report to the Board, the 2011/12 budget is predicated on the utilisation of a £2m of reserves carried forward from 2010/11 over and above our minimum level of reserves. This report confirms that this position has been largely achieved with reserves at the 31<sup>st</sup> March 2011 standing at £21.2m the end of 2010/11.

Variations within the Housing Revenue Account (HRA) have resulted in a small underspend of £0.1m. The general reserve now stands at £4.0m. Full details of the variations and the contributions to reserves are contained in the HRA report attached.

Spending on capital investment during the year amounted to £295.9m compared to a budget of £349.8m.

Other areas of year end financial performance reported include schools reserves, subsidiary companies, the collection of local taxation and sundry income, and the payment of creditors.

**Recommendations**

Members of the Executive Board are requested to note the contents of this report and approve the treatment of earmarked reserves as detailed in the report.

## 1 Purpose of this report

- 1.1 This report sets out for the Board the Council's financial outturn position for 2010/11, both revenue and capital, and includes the Housing Revenue Account. The report covers revenue expenditure and income compared to the budget and also reports on the outturn for Education Leeds and ALMOs.
- 1.2 The report also highlights the position regarding other key financial health indicators including Council Tax and NNDR collection statistics, Sundry Income, and prompt payments.
- 1.3 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.

## 2 Background information

- 2.1 Members will recall that the 2010/11 net budget<sup>i</sup> for the general fund was set at £569.3m, which did not assume the use of any reserves.
- 2.2 In a change to the Audit and Accounts regulations there is now no requirement for Corporate Governance and Audit Committee to approve the unaudited Statement of Accounts prior to their publication at the end of June. It is now the responsibility of the Director of Resources in his capacity as Section 151 officer to sign off the accounts by the 30<sup>th</sup> June 2011. The Accounts will be available for public inspection for 20 days from the 20<sup>th</sup> July 2011. The audited Statement of Accounts will be presented to the Corporate Governance and Audit Committee for approval by the 30<sup>th</sup> September 2011.
- 2.3 It should be noted that in accordance with proper accounting practice, any significant event which occurs prior to the audit sign - off of the accounts in September 2011, could impact on the Council's final published outturn position and hence the level of reserves. This is known as a post balance sheet event and should such an event occur, it will be reported back to this Board at the earliest opportunity.

## 3 Main issues – General Fund Revenue

- 3.1 The overall outturn position for 2010/11 for the Council against its budget is an underspend of £5.1m, as summarised below:

	Budget £m	Outturn £000s	Variation £000s
Adults	181.4	184.9	3.5
Children's	143.0	148.3	5.3
City Dev	71.7	72.1	0.4
Environment & N'hoods	99.0	100.0	1.0
Central & Corporate	73.4	68.1	- 5.3
Directorate Total	568.5	573.4	4.9
Strategic	0.8	-9.2	- 10.0
<b>Total</b>	<b>569.3</b>	<b>564.2</b>	<b>- 5.1</b>

3.2 This position has not been easily achieved. In summary the Council has had to deal with pressures in excess of £45m. These have included demand pressures of £24.3m, and declining income especially within City Development. In addition, the new Government announced a £1.166bn in-year reduction in grants to Local Authorities as part of its accelerated deficit reduction plan<sup>ii</sup>. As reported to Members on 22<sup>nd</sup> June 2010<sup>iii</sup>, this included a £15.0m reduction in revenue grants. The scale of these grant reductions and the fact that they were notified part way through the year presented the Council with a significant difficulty in managing them. However, through careful financial management, the delivery of staffing and other savings in directorates and the corporate identification of savings, it has been possible to not only deliver a balanced position, but to also to make a contribution to reserves in line with the budgeted utilisation of reserves in the 2011/12 budget. A detailed breakdown of the outturn variations for each Directorate can be seen in Appendix 1.

3.3 The main variations can be analysed subjectively as follows:

	<b>(Under) / Over Spend</b>				
	<b>Staffing</b>	<b>Demand</b>	<b>Other Expenditure</b>	<b>Income</b>	<b>Total (Under) Overspend</b>
	£m	£m	£m	£m	£m
Adult Social Care	(3.4)	12.7	(1.5)	(4.3)	3.5
Children's Services (Incl. Schools)	1.0	10.9	(5.0)	(1.5)	5.3
City Development	0.1		(3.8)	4.1	0.4
Environment & Neighbourhoods	1.1	0.7	(1.7)	0.9	1.0
Central & Corporate	(3.2)		(1.6)	(0.5)	(5.3)
<b>Directorate Total</b>	<b>(4.5)</b>	<b>24.3</b>	<b>(13.6)</b>	<b>(1.3)</b>	<b>4.9</b>
Strategic					(10.0)
<b>Total</b>					<b>(5.1)</b>

### 3.3.1 Staffing

Overall, staffing budgets were underspent by £4.5m. In line with the Council's financial strategy, staffing numbers have reduced by 1159 during the year in advance of the 2011/2 financial year. This variation does not include the net cost of the Early Leavers Initiative of £2.6m after the capitalisation of £5.7m statutory redundancy payments in accordance with the capitalisation direction that the Council received from the Government.

### 3.3.2 Demand Variations

Externally provided placements, both residential and with independent fostering agencies, have continued to be a major pressure on the Children's Services budget costing £11.6m more than the original budget. However these were partly offset by savings of £1.7m on the in-house allowances and fees to carers budgets which reflected the changing mix of placement provision.

Increased pressure on the budget for Community Care packages resulted in increased costs of £12.7m within Adult Social Care, mainly reflecting residential and nursing care placements being £6.7m higher than budgeted, £5.2m for independent sector domiciliary care and £1m on the Learning Disability Pooled budget.

### 3.3.3 Other expenditure variations

Throughout the year directorates have identified a number of savings proposals to offset in year expenditure pressures and income shortfalls. These are detailed in the directorate reports and total £10.7m. Of this £1.6m relates to housing benefits comprising £1m reduction in the provision for bad debts and £0.6m underspend on rent allowances. Within Environment and Neighbourhoods efficiency savings of £0.9m have been made on the Supporting People contracts. A saving on the LEGI programme within City Development has been utilised to partly offset income pressures within the directorate. In addition, there has been a £1.25m saving on the highways budget, although highway maintenance spend was enhanced by additional pot hole grant during the year. The underspend on the education budgets of £3.4m has been utilised to offset the budget pressures within Children's Services.

### 3.3.4 Income Variations

The economic downturn has again had a significant effect on income levels in 2010/11. Within the City Development directorate there was a shortfall of £4.1m from a number of external income sources, including planning and building fees, sport, parks and countryside and Architectural Design Services. Within Environment and Neighbourhoods, a shortfall in car parking income amounted to £1.3m. In addition, the 2010/11 budget included income from Section 278 schemes of £5.2m, compared to the outturn of £3.0m, reflecting the slowdown in development activity.

Additional income has been generated within Adults Social Care with income of £4.5m from NHS Leeds approved in year to support reablement and effective outcomes around hospital avoidance and hospital discharge. In addition, Children's Services also received £1m funding from health.

### 3.3.5 Corporate Issues

Debt charge savings of £4.6m have been achieved during the year, taking advantage of the continued low interest rates.

As previously reported to Members, recent changes to the accounting rules regarding the treatment of PFI schemes has meant that an element of the PFI payment is now recognised as capital spend and, in accordance with legislation, can therefore be funded from capital receipts. For 2010/11 the amount of PFI payments is £8.4m and capital receipts will be used instead of revenue to fund this element. This is in accordance with proper accounting

practice and is consistent with the newly applied international accounting standards for Local Government. The capital receipts will no longer be available to fund capital schemes which will result in additional borrowing costs.

The Council has to set aside an insurance provision following an assessment of likely future payments in respect of claims received. The provision has increased by £1.5m reflecting more claims received, primarily relating to highways liabilities, and settlements from previous years being higher than initially provided for.

The Council's budget for 2010/11 assumed that it would be possible to identify spending of £5.0m charged to the revenue accounts, but which can be properly charged to capital. In order to mitigate against the spending pressures, at year end it has been possible to identify an additional £3.6m, which can be properly accounted for as capital.

#### 4. Housing Revenue Account

- 4.1 Variations within the Housing Revenue Account (HRA) have resulted in a surplus of £113k which has been added to the HRA general reserve. The general reserve now stands at £4.0m. Full details of the variations and the contributions to reserves are contained in the HRA report attached.

#### 5.0 Schools

- 5.1 The outturn on the Individual Schools Budget for 2010/11 is:

<b>Outturn</b>	<b>£m</b>
Latest estimate	376.0
Outturn	374.8
Variation	<b>(1.2)</b>
<b>Schools Reserves</b>	
Balance Brought Forward	17.1
Net Contribution to Reserves	1.2
Balance Carried Forward	<b>18.3</b>
<b>Extended Services &amp; Partnerships</b>	
Balance Brought Forward	4.2
Net Contribution to Reserves	1.3
Balance Carried Forward	<b>5.5</b>

#### 6.0 Reserves

- 6.1 A full statement of all Council reserves can be found at Appendix 2. A summary of them and an explanation of the key movements is as follows:

<b>Reserves</b>	<b>Balance at 31.3.11 £m</b>
<b>General Fund:</b>	
General risk based reserve	21.2
Earmarked reserves	19.4
Ringfenced reserves - schools	24.1
Ringfenced reserves - other	12.4
<b>Total General Fund Reserves</b>	<b>77.1</b>
<b>Housing Revenue Account:</b>	
General reserve	4.0
Earmarked reserves	16.1
<b>Total Housing revenue</b>	<b>20.1</b>

6.2 General Fund reserves at 31<sup>st</sup> March 2011 are £21.2m:

General Fund Reserve	2010/11	
	Estimate £m	Actual £m
Balance at 31.3.10	12.0	16.1
2010/11 underspend		5.1
Balance carried forward at 31.3.11	12.0	21.2

6.3 The 2010/11 budget assumed that reserves at the end of 2010/11 would be £12m. However, as reported to Corporate Governance and Audit Committee<sup>iv</sup> on 30<sup>th</sup> June 2010, the actual balance carried forward at 31<sup>st</sup> March 2010 was £16.1m. After the use of £2m as agreed to support the 2011/12 budget, this would leave an estimated £19.2m at the 31<sup>st</sup> March 2012 which is broadly in line with the minimum reserves as determined by the Council's risk based reserves strategy.

6.4 Earmarked Reserves at the 31<sup>st</sup> March 2011 are £19.7m. These are detailed in Appendix 2. As part of the Council's response to the in year reductions in Government Grants, Board agreed that a number of earmarked reserves would be used to assist the Council's financial position. At outturn it has not proved necessary to use these earmarked reserves as intended, however, it is now proposed that they are instead earmarked to be used to fund the in year cost of early retirement for 2011/12. The 2011/12 budget assumes that a further 400 staff leave the authority during the year. The intention was to seek a further capitalisation direction to cover the cost of any early leavers but the

Government has increased the affordability threshold which means we are no longer eligible given the projected number of leavers. It is thus proposed that an earmarked reserves of £2.5m be created to support the in year cost of early leavers in 2011/12. It should be noted that earmarked reserves are earmarked for specific priorities, and whilst they can be un earmarked and used to support general revenue expenditure, but in such instances any ongoing liabilities of these reserves would have to be funded from elsewhere

- 6.5 As schools are funded from the Dedicated Schools Grant (DSG), their reserves are ring fenced and must be carried forward. Mainstream school reserves stand at £18.3m. In accordance with previous decisions, the development costs of School PFI and BSF funded schemes are initially met by borrowing from the overall level of school reserves which is then repaid over a period of time. At the close of the year, £4.7m was still outstanding. The cost of Voluntary Early Retirements in schools have also been funded by borrowing against mainstream school reserves. During 2010/11, new VER borrowings were £0.7m. However available resources of £2.6m have enabled all such borrowing to be repaid as at 31<sup>st</sup> March 2011. Taking account of the £4.7m BSF borrowing, the net mainstream schools reserves position is £13.6m as at 31<sup>st</sup> March 2011.
- 6.7 Extended Services & Partnerships reserves amount to £5.5m.
- 6.8 Any net savings on the Central Schools Budget (CSB) services funded from DSG are also carried forward as a ringfenced reserve and are available to fund Schools Budget activity in future years. At the close of 2010/11, CSB reserves amounted to £5.0m ( £2.5m in 2009/10). In-year savings in 2010/11 were primarily due to vacant posts within Education Leeds and reduced demands on the schools' contingency.
- 6.9 Members will note that a recent change to accounting practice requires that any grants not fully used in the year have to be carried forward as a general fund ringfenced reserve instead of receipts in advance where the grant is unconditional. For 2010/11 this amounts to £12.4m where the grant has been received in the current year in respect of future years spend. It is proposed that these are released immediately into revenue in 2011/12 to support the appropriate spend as included in the 2011/12 budget. This constitutes the majority of the other ringfenced reserves.
- 6.10 The table above shows the closing HRA reserves of £20.1m consisting of £4.0m general and £16.1m earmarked. The earmarked reserves are detailed in Appendix 2. Key points to note in respect of the earmarked reserves are as follows:-
- A reserve of £657k for the replacement of Care ring equipment is required. This will be funded from the HRA General Reserve.
  - The ALMO/HRA Capital Reserve is the remaining balance on the £4.6m subsidy refund which Council on 14<sup>th</sup> July 2010 agreed should be earmarked for essential asset management work and strategic housing initiatives.

- The contribution to the Swarcliffe PFI Sinking Fund (£573k) is required to ensure that the project remains affordable throughout its life and can meet future contractor payments.
- A Swarcliffe Access Refusals reserve has been created. This is to fund future capital works to properties where the current tenant has refused access for works to be carried out. This reserve has been funded via savings on the unitary charge paid to the contractor. It will be used to fund required works once the property becomes void prior to a new tenancy being granted.

## 7. Capital Programme

7.1 The approved February 2011 Capital Programme<sup>v</sup> estimated capital expenditure in 2010/11 to be £349.8m. The actual capital expenditure in 2010/11 was £295.9m, an underspend of £53.9m. Details of the main schemes which have generated this underspend can be seen in Appendix 3.

7.2 The following table shows the in year actual General Fund expenditure against the estimate:

General Fund	Feb 11 Estimate	Outturn	Variation	
	£000	£000	£000	%
City Development	77,989	66,322	-11,667	-15.0
Children's Services	14,615	14,199	-416	-2.8
Environment & Neighbourhoods	22,693	18,487	-4,206	-18.5
Adult Services	3,213	2,401	-812	-25.3
Strategic Accounts	71,870	50,762	-21,108	-29.4
Education	93,505	73,552	-19,953	-21.3
Central & Corporate Functions	13,218	8,795	-4,423	-33.5
Interest costs – assets under construction	0	1,091	1,091	100.0
Reserve schemes (includes SDF)	-14,667	0	14,667	-100.0
<b>Total Spend</b>	<b>282,436</b>	<b>235,609</b>	<b>46,827</b>	<b>-16.6</b>

7.2.1 Environment & Neighbourhoods excludes £53.7k estimate and actual 2010/11 spend of £2.058m relating to the Golden Triangle project, a housing partnership arrangement involving Leeds, Harrogate and York councils.

7.2.2 Strategic Accounts include £32.1m for equal pay settlement costs in year plus a contribution to settlement costs when agreed in 2011/12 onwards. £5.7m is included for the capitalisation of redundancy costs relating to the Early Leavers Initiative. Also included is £8.5m of eligible general capitalised expenditure transferred from department's revenue accounts plus £0.753m of capitalised PFI development costs.



7.2.3 £1.091m of interest costs have been capitalised in respect of assets under construction as at 31st March 2011.

7.3 The following table shows the in year actual Housing Revenue Account expenditure against the estimate:

	Feb 11 Estimate	Outturn	Variation	
	£000,	£000,	£000,	%
Strategic Landlord	9,138	8,493	-645	-7.1
ALMOS	58,197	51,838	-6,359	-10.9
<b>Total Spend</b>	<b>67,335</b>	<b>60,331</b>	<b>-7,004</b>	<b>-10.4</b>

7.3 The following table details the overall expenditure and financing position for the Council:

	Feb 2011 Estimate (£m)	May 2011 Outturn (£m)
<b>Net Capital Spend</b>	<b>342.6</b>	<b>295.9</b>
<b>Financed by</b>		
Specific Grants and Contributions	121.7	114.5
Capital Receipts	1.6	1.4
MRA	37.3	37.3
Borrowing	176.1	136.4
Revenue Contributions \ Reserves	5.9	6.3
<b>Total Funding</b>	<b>342.6</b>	<b>295.9</b>

7.3.1. Capital receipts have not been utilised in 2010/11 as a funding source for General Fund expenditure. A change in accounting policy has resulted in £8.4m of receipts being used to fund PFI liabilities. The remaining £1.4m balance of HRA Right to Buy receipts has been applied as funding to the HRA programme.

7.3.2 Overall capital receipts are 20% lower than 2009/10 due to the continued economic downturn and reduction in property values affecting sales values and the actual number of disposals.

7.3.3 ALMO's have used their in year MRA resources in full in order to fund their programmes along with their Supported Capital Expenditure (SCE) allocations. In addition the HRA has utilised £4.2m of reserves and revenue contributions in order to support the overall HRA programme.

7.3.4 The net debt of the Council as at 31 March 2011 is £1,457m (£1.457bn). Further details of this and the debt financing costs will be presented in the annual 2010/11 Treasury Management report to Executive Board in July 2011.

## 8. Other Financial Results

### 8.1 Education Leeds

- 8.1.1 Due to the cessation of the contract with Education Leeds at 31<sup>st</sup> March 2011, the contract was amended before the year-end in order to repay the accumulated operating surplus as at 31<sup>st</sup> March 2010 and the forecast in-year surplus for 2010/11. This amounted to a reduction in the Education Leeds contract of £3.2m.
- 8.1.2 Once the final accounts for Education Leeds have been prepared, which are subject to audit scrutiny, it is estimated that there may be a small surplus to transfer back to the Council.

### 8.2 ALMOs

- 8.2.1 The three ALMOs generated a combined surplus of £14.2m. This surplus has resulted in the ALMOs carrying forward reserves of £46.0m as at 31<sup>st</sup> March 2011. After taking into account the pensions (FRS 17) deficit of £11.8m, the available ALMO reserves stand at £34.2m.
- 8.2.2 The above figures are subject to Board approval and external audit.

## 9 Other Financial Performance

### 9.1 Local Taxation

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

	<b>2007/08 Leeds Actual</b>	<b>2008/09 Leeds Actual</b>	<b>2009/10 Leeds Actual</b>	<b>2010/11 Leeds Actual</b>
Council Tax collection	96.4%	96.3%	96.5%	96.7%
Non Domestic Rates	98.7%	97.7%	97.8%	97.9%

- 9.1.2 The figures for both Council Tax and Non Domestic Rate collection again show an increase in collection rates from the previous year. The council tax figure has further improved on last year's best collection figure since the introduction of council tax. The improvement from last year is equivalent to the collection of an additional £440k in the year. Business rate collection again improved but continues to be below pre-recession levels, with collection being assisted in 2010/11 by the extension of the small business rate relief scheme and the continuation of the higher rateable value for exemption from unoccupied property rates.

## **9.2 Sundry Income**

- 9.2.1 The collection of current year debt and arrears has increased from 89.2% in 2009/10 to 90.2% in 2010/11, with a collection rate of 98% for invoices raised during 2010/11 (excluding those only recently issued during March).
- 9.2.2 In respect of the current year debt only, the net amount collectable was £127.6m with a balance outstanding of £11.8m at 31st March 2011. The total cumulative debt outstanding is £13.2m.

## **9.3 Prompt Payments**

- 9.3.1 The outturn for the year was 90% (against a target of 92%) of undisputed invoices paid within 30 days, an increase in performance of 2% compared to 2009/10.
- 9.3.2 The total number of invoices processed in the year which met the prompt payment criteria was 572,140. After accounting for 3,595 invoices in query with suppliers, 509,329 were paid within 30 days, leaving 59,216 paid after 30 days.
- 9.3.3 Overall 94% of the authority's invoices were paid within 40 days and 100% of small suppliers were paid within 20 days. The work supporting an increase in the use of Procurement Cards increased spend by this method to £16.12 million; a 234% increase compared to our 2009/10 spend (year end result £4.82 million). The work undertaken in the last year increased the number of purchasing card transactions by 104%, creating efficiencies in the payments process.

## **10 Recommendations**

Members of the Executive Board are asked to:

- 10.1 Note the contents of this report
- 10.2 Agree the creation of an earmarked reserve for an early leavers scheme in 2011/12.
- 10.3 Agree the earmarked reserves as detailed in Appendix 2.
- 10.4 Agree the immediate release of £12.4m earmarked reserves as detailed in paragraph 6.9 above.

## **Background Documents**

<sup>i</sup> Revenue Budget report 2010/11 Executive Board 12<sup>th</sup> February 2010

<sup>ii</sup> Local Government's Contribution to £6.2bn efficiencies in 2010-11, Letter from DCLG to Local Authority Chief Executives 10<sup>th</sup> June 2010.

<sup>iii</sup> Executive Board report 25<sup>th</sup> August 2010

<sup>iv</sup> The Statement of Accounts 2009/10 – report to Corp Gov & Audit Committee 30<sup>th</sup> June 2010

<sup>v</sup> Capital Programme report to Executive Board 11<sup>th</sup> February 2011

## ADULT SOCIAL CARE

### 2010/11 OUTTURN POSITION

#### Introduction

This report sets out the 2010/11 outturn position for the directorate and provides an explanation of the major variations.

#### Overall Position

The actual outturn position for Adult Social Care is a net overspend of £3.5m.

	£m
Budget	181.4
Outturn	184.9
<b>Variation</b>	<b>3.5</b>

The reasons for this overspend are explained below, but in summary it is made up of four main elements:

Slippage with budgeted action plans	£3.8m
Demand management issues	£9.6m
In-year health funding	(£4.5m)
In-year savings & other variations (net)	(£5.4m)

#### Context

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.

#### Staffing

The 2010/11 staffing spend was £3.4m lower than budgeted, of which £1m relates to contingency savings delivered through the training budget. This underspend was reduced by £1.9m through in-year virements to support community care budgets to give a net staffing underspend at the year-end of £1.5m. The main pay underspends relate to Access & Inclusion, predominantly reflecting the savings within the Community Support Service through the Early Leavers Initiative. Other savings within Strategic Commissioning and Resources and Strategy reflect the careful management of vacancies throughout the year. The overspend within Learning

Disabilities and Older People reflects high vacancy levels requiring cover through agency staff or overtime to meet minimum staffing requirements in regulated services. Vacancy levels have been maintained to facilitate staff switching from other posts as the service undergoes significant service transformation.

## **Demand**

Expenditure exceeded budget provision by £9.6m on community care budgets. The total overspend on these budgets was £10.2m, comprising £9.6m in respect of demand and £3.1m relating to the delivery of budgeted savings partly offset by in-year virements totalling £2.5m.

The 2010/11 budget for residential and nursing placements anticipated an accelerating downward trend in numbers and reflected a number of planned actions. Some of these totalling £1.3m have been successfully delivered, for example managing inflation and making better use of in-house beds, but there was a shortfall of £0.7m. However, despite rigorous gatekeeping the anticipated demand management savings have not been achieved. This accounts for a projected overspend of £6m, which has been partly offset by an in-year virement of £1m. With regard to managing demand, there are two significant factors that are outside the direct control of Adult Social Care, namely activity levels within hospitals and the number of former self-funders reaching the threshold for statutory local authority funding of their continued placement.

The 2010/11 domiciliary care 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. Some measures have succeeded with savings totalling £1.2m, mainly from telecare and contracting efficiencies. 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 £2m of the projected overspend. A further £2.8m reflects increased demand that has continued since the 2010/11 budget was set, with a further £0.4m additional cost reflecting the care packages transferred to the independent sector as staff leave the directly provided service through the Early Leavers Initiative. These costs are partly offset by an in-year virement of £1.5m. 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.

Direct payments 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 £0.2m lower than budgeted.

The Council and NHS Leeds share the responsibility for the learning disability pooled budget on a 60:40 basis and for 2010/11 the Council's share was £1m higher than budgeted. The 2010/11 budget made provision for new care packages based on

cases expected to transfer from children's to adult services and 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 costs for these cases are higher than budgeted, with three complex cases approved at the start of the year amounting to £0.7m.

## **Income**

Income was £4.3m higher than budgeted. Of this, £4.5m reflects funding from NHS Leeds approved in-year to support reablement and effective outcomes around hospital avoidance and hospital discharge, partly offsetting the demand pressures outlined above. A further £0.4m from NHS Leeds relates mainly to Funded Nursing Care. Service user income is £0.6m lower than budgeted. 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.

## **Other**

The net effect of other variations is an underspend of £0.9m comprising variations across a range of expenditure budgets and mainly reflecting contingency savings to help to mitigate the demand pressures outlined above. This includes £0.5m on operational furniture and equipment.

## CHILDREN'S SERVICES - 2010/11 OUTTURN POSITION

### Introduction

This report sets out the 2010/11 outturn position for the Children's Services Directorate and provides an explanation of the major variations.

### Overall Position

Against a net managed budget of £142.879m, the outturn spend for Children's Services is £148.172m resulting in a net overspend of £5.293m, which is equivalent to 3.70%. This overall variation is consistent with the in-year reporting.

	<b>£m</b>
Budget	143.0
Outturn	148.3
<b>Variation</b>	<b>5.3</b>

The position by individual service is;

	<b>Budget</b>	<b>Outturn</b>	<b>Variation</b>
	<b>£'000</b>	<b>Over/(under)</b>	<b>Adv/(fav)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Directorate & Central	2,746	3,827	1,081
Children & Young People's Social Care	74,175	85,512	11,337
Integrated Youth Support Service	14,878	15,114	236
Youth Offending Service	2,815	1,829	(986)
Early Years	5,084	2,289	(2,795)
Education	43,181	39,601	(3,580)
<b>Total – Children's Services</b>	<b>142,879</b>	<b>148,172</b>	<b>5,293</b>

### Context

The 2010/11 financial year was very challenging for Children's Services. There was significant pressure on the budget of around £23m which reflected increasing levels of demand, particularly around externally provided placements for looked after children, and also the in-year reductions in grant funding, including the £5m reduction in Area Based Grant.

These pressures were offset by around £18m 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, management and implementation of the in-year grant/funding reductions strategies which were agreed by Executive Board, as well as continued delivery of the

Children's Centre sustainability programme. In addition, the Directorate also received £1m of funding from health.

## **Staffing**

Against an overall employee budget of £71.5m, the outturn spend was £72.5m, resulting in an overspend of £1m. Within this £72.5m overall spend, the spend on basic employees was £62.5m (an underspend of £6.4m), the spend on agency staffing was £6.7m (an overspend of £5.9m) and the spend on overtime was £1.5m. These outturn variations recognise the continuing number of vacant posts across the Directorate and the need to maintain essential front-line service provision. In addition, the £1.25m Children's Services integration budget action plan was budgeted for within the employee budgets and the outturn variations recognise that £0.4m of this plan was delivered from within Children's Services with the remainder delivered and accounted for as part of the £3.4m underspend on the education budgets.

## **Demand**

The 2010/11 financial year saw a continuation of the increase in demand across Children's Services in terms of the number of looked after children (1,446 as at March 2011), the number of children subject to a child protection plan (984 as at March 2011) and also in the number of referrals and assessments.

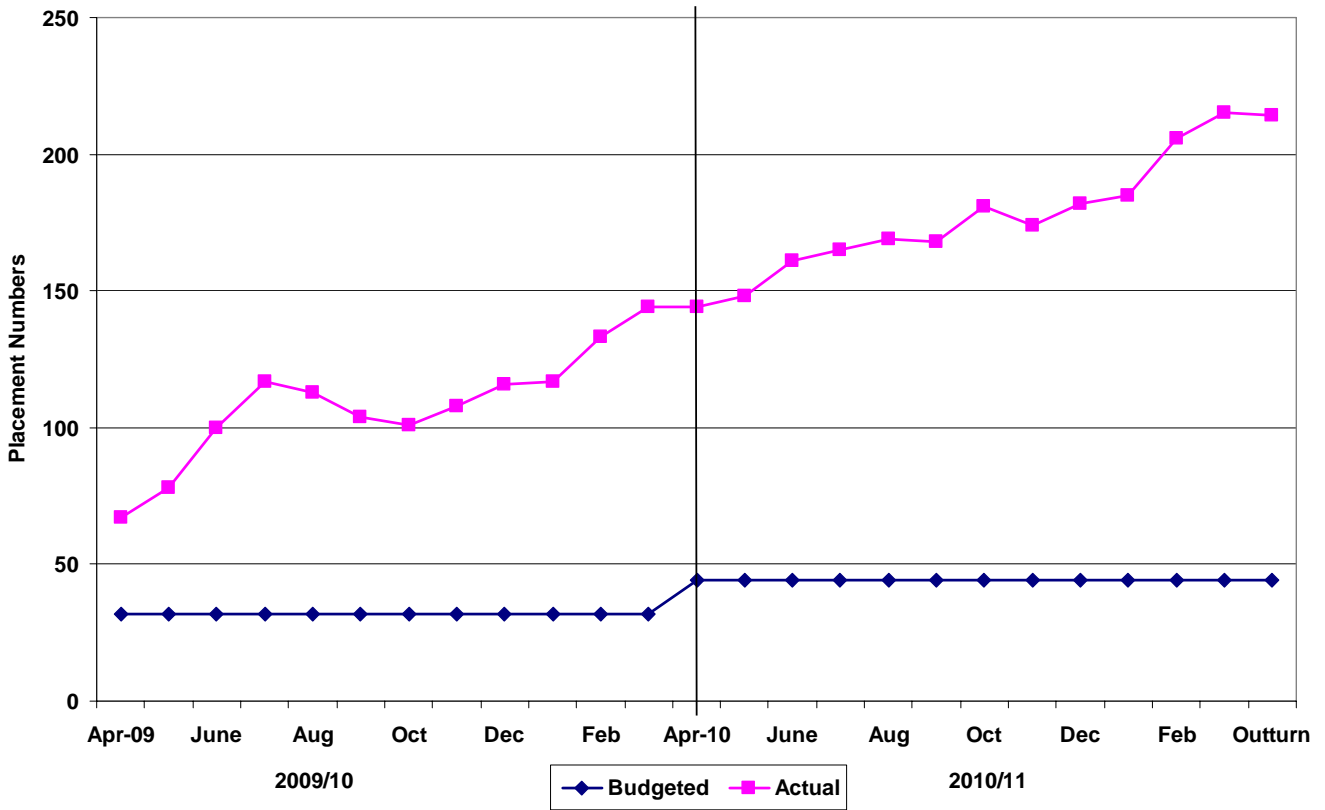
As projected throughout the year, the main financial pressure in Children's Services was in the externally provided residential and fostering budgets. The gross cost of the externally provided placements for looked after children in 2010/11 was £20.78m, with contributions of £70k from health and £0.32m from education. The total variation against the budget was £12.1m, of which £11.6m was due to additional expenditure and £0.52m was due to a shortfall in budgeted income from health.

At the end of March, there were 91 children & young people in externally provided residential placements (48 budgeted for), and 214 children & young people in placements with Independent Fostering Agencies (44 budgeted for). The pressures on the external placement budgets were partly offset by projected savings of £1.7m on the in-house allowances & fees to carers budgets, which reflected the changing mix of placement provision. The outturn position recognises that the £0.5m budget action plan in respect of additional health contributions for placements will not be achieved in 2010/11, however placement by placement work is continuing in order to determine the appropriate basis for placement contributions across partner organisations.

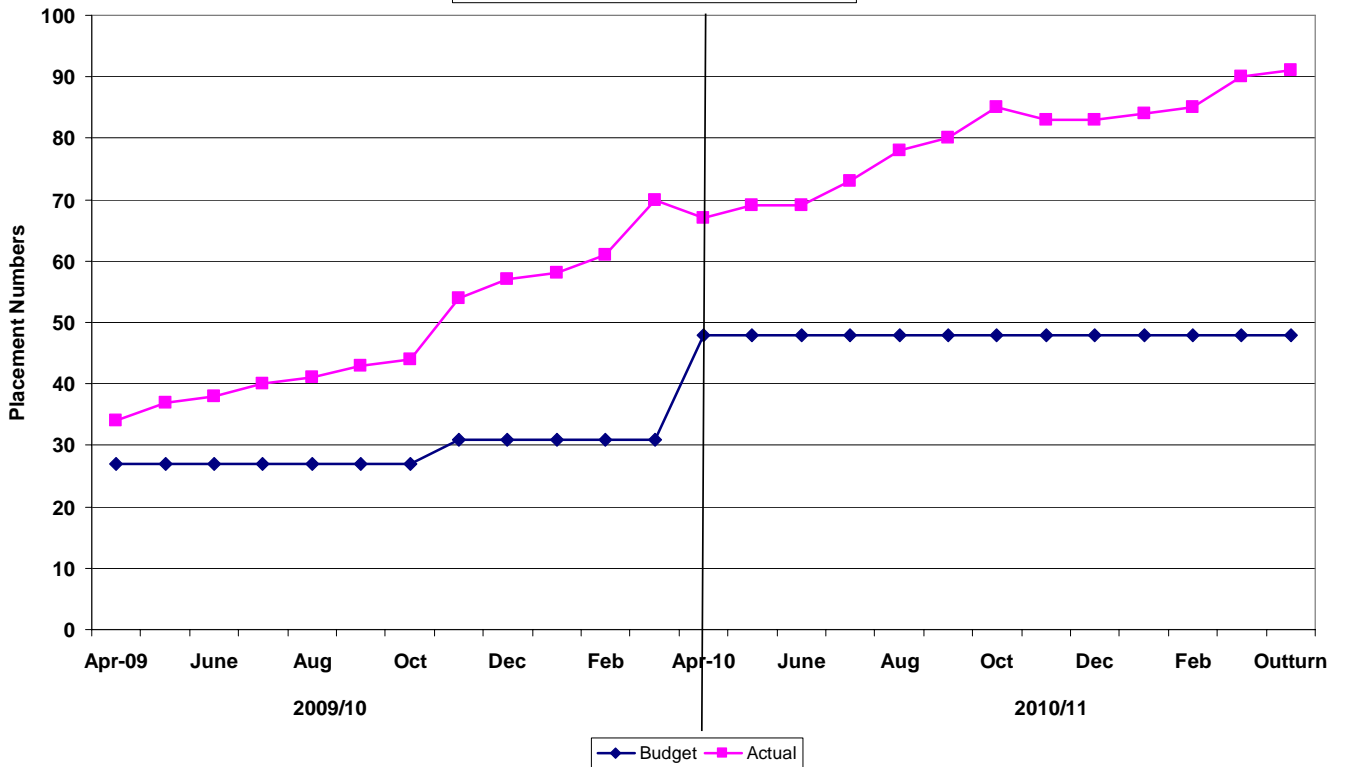
The graphs below show the trend in the number of externally provided residential placements and placements with independent sector foster agencies from April 2009 through to March 2011.



Children & Young People's Social Care  
Independent Fostering Agency Placements



Children & Young People's Social care  
External Residential Placement Numbers



Other demand-led budget pressures included a £0.9m pressure on the cost of legal advice/fees which was partly offset by a budget action plan of £0.2m around recycling a surplus from legal services, and also a £0.3m pressure on client transport.

## **Income**

As a result of the Government's accelerated deficit reduction plan in June 2010, funding for Children's Services was reduced by around £8m through reductions in Area Based Grant, LPSA 2 funding and other reductions in specific grants such as the Nursery Education Pathfinder, Buddying, etc. The proposals to mitigate the financial impact of these funding reductions were agreed by Executive Board in August and September 2010 and are reflected in the 2010/11 accounts.

As mentioned earlier, as part of an agreement with health, Children's Services received an additional £1m of funding in 2010/11.

As outlined in last year's outturn report, there is an ongoing dispute with the Department for Education regarding the former neighbourhood Nurseries Initiative and a debtor for £1.1m was raised in the 2009/10 accounts whilst awaiting a response. The Department for Education has now confirmed in a letter received on the 26<sup>th</sup> April 2011 that in their opinion we will not receive this grant. The Council is considering further options for recovery of this funding but considers it prudent to not include the debtor in the 2010/11 accounts.

## **Other**

The £3.5m underspend on the Education budgets relates to the decision to use the remaining £1.9m Education Leeds operating surplus in 2010/11, in addition to the in-year underspend in the company. These savings have been offset in 2010/11 by £0.95m of costs relating to the Early Leaver Initiative scheme.

In the Early Years Service, the £2.8m forecast underspend is largely being generated across the staffing budgets and in particular across the Early Years managed Children's Centres. This recognises that a continuing cornerstone of the Children's Services financial strategy is to enable these centres to be sustainable over the medium and longer-term by targeting value for money and increasing occupancy.

The outturn position also reflects an underspend of £986k in respect of the Youth Offending Service, which includes the planned utilisation of £500k of the earmarked reserve in 2010/11.

**CITY DEVELOPMENT**  
**2010/11 OUTTURN POSITION**

**Introduction**

This report sets out the 2010/11 outturn position for the directorate and provides an explanation of the major variations.

**Overall Position**

The actual outturn position for City Development is a net overspend of £0.439m.

	£m
Budget	71.7
Outturn	72.1
<b>Variation</b>	<b>0.4</b>

**Context**

The outturn position of an overspend of just over £0.4m was made up of a small overspend on staffing of under £0.1m, an underspend on other expenditure of £3.8m and a shortfall in income of £4.1m. The main overspend at £3.1m occurred in Planning and Sustainable Development mostly as a result of income shortfalls. Recreation Services overspent by £1.1m as a result of income shortfalls and an overspend on staffing. Other services including Highways and Transportation, Economic Development, Libraries, Arts and Heritage and Resources and Strategy spent below budget. The major Budget Pressures can be summarised as follows:

<u>Major Budget Pressures:</u>	£000s
Building Fees shortfall	366
Planning Fees shortfall	649
Architectural Design Services net income shortfall	500
Recreation external income	620
Net Staffing	82
Planning appeal costs	516
Loss of Housing Planning Delivery Grant	<u>900</u>
	3,633
Offset actions:	
Highway spend	(1,250)
Library book fund	(300)
Local Enterprise Growth Incentive scheme	(842)
Other net variances	(802)
<b>Total</b>	<b>439</b>

The 2010/11 budget included significant savings that needed to be delivered during the year including reductions to staff costs of over £3m, implementing the vision for sport, workload and income assumptions, above inflation price increases and significant savings on running costs across all services. During the year the implementation of some actions took longer than was originally planned in the budget but most actions were successfully delivered.

The directorate has a controllable income budget of just under £100m and the prevailing economic conditions can have a significant impact on the level of income earned. During 2010/11 the level of economic growth remained low and shortfalls in income were experienced against a number of key income targets. In addition, in year grant cuts provided a further challenge from reduced revenue grant income, reductions to work programmes and reduced workloads following cuts to capital grant funding. The directorate also had to manage the financial consequences arising from ongoing uncertainty over the future of some major projects such as New Generation Transport and the Holt Park Wellbeing Centre PFI scheme. Reduced external income, reduced workloads and in year cuts in grants were the major budget pressures that the directorate had to react to during the year.

In order to manage the significant shortfall in income a number of options for expenditure savings were identified early in the financial year. These were actively implemented and further savings identified as it became clear that some income shortfalls were increasing. By the year end running costs were reduced by £3.8m compared to the budget.

The directorate had set a challenging staff saving target for 2010/11. Services were proactive in progressing Early Leaver Initiative business cases first through the directorate scheme and later through the corporate scheme and in managing vacancies. Overall staff numbers and costs were reduced through out the year and by the end of the year staffing costs were virtually within budget.

## **Staffing**

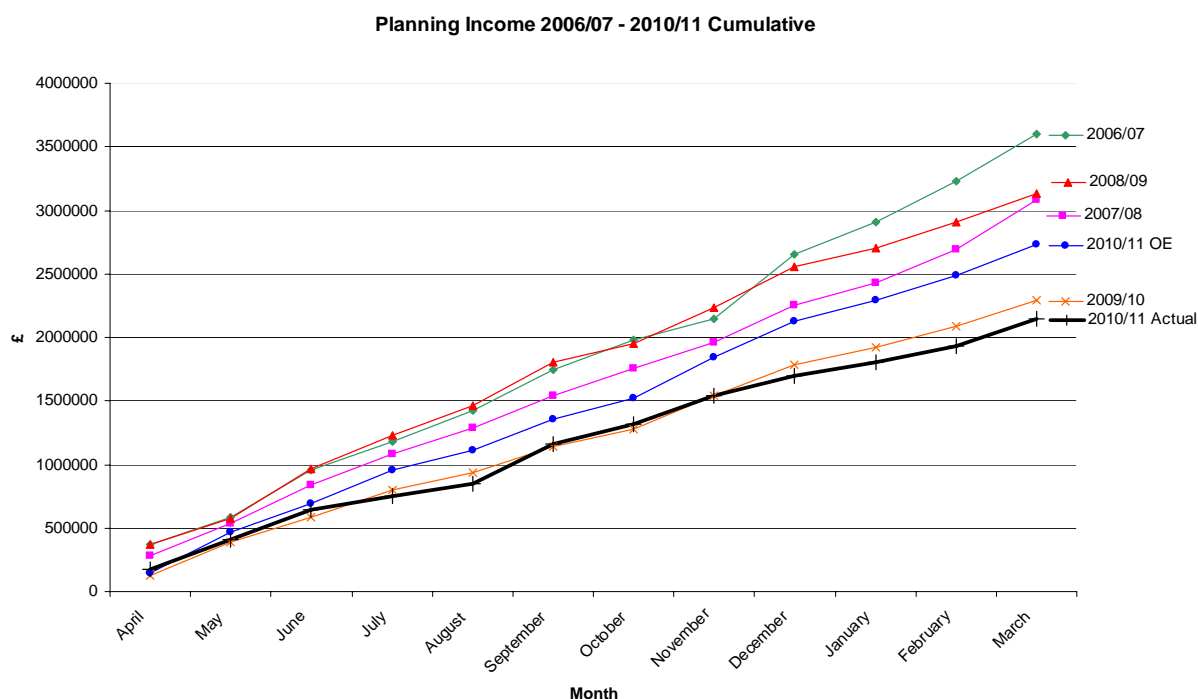
Target savings of over £3m were included in the 2010/11 budget. All services have been progressing Early Leaver cases and a number of restructures were approved. FTEs have reduced by 229 since March 2010, reflecting the large number of staff who left the directorate at the end of March 2011 through the directorate and corporate ELI schemes. This equates to a reduction in staff levels of 8.6% in the year. The projected overspend on staffing has been reduced significantly during the year and the overall overspend has been reduced to £82k. The capitalisation of additional ELI costs has been a major contribution to reducing the overspend from that projected at Periods 11 at 12 but the overall outturn position also reflects the tight control over staffing in the directorate throughout the year and the major effort in all services to progress business cases through the directorate and corporate ELI schemes.

Significant staff savings were achieved in Highways and Transportation and Libraries, Arts and Heritage and Resources and Strategy.

## Income

The 2010/11 budget included some challenging income targets. These included above inflation increases for some charges in Sport and assumptions about workloads and income trends. It was recognised that some of these assumptions were high risk. During the first quarter of 2010/11 it became clear that some income sources were falling short of the budget assumptions and the projected shortfall actually increased during the year. Overall the shortfall in income was £4.1m. The main income shortfalls are in Planning and Sustainable Development Services with a £1m shortfall in planning and building fees and the loss of HPDG of £0.9m, Asset Management with reduced income in ADS of £0.5m, Highways and Transportation with reduced income in the highway maintenance DLO and Recreation Services with reduced internal and external income. In some cases the reduction in income is matched by reduced expenditure but in other cases such as planning and building fees, the loss of HPDG and reduced income in ADS this is a significant problem that the directorate has had to manage and these issues are likely to continue to have an impact in 2011/12 despite some budgets being adjusted to reflect trends in 2010/11.

The actual shortfall on planning and building fees is £649k for planning fees and £366k for building fees. It is a major concern that actual income for both planning and building fees is lower than that in 2009/10 and there are no signs of the income trends improving, if anything the position has been declining in the second half of the year. The graph below shows the profile of actual planning fees received compared to previous years and shows the extent of the shortfall against the 2010/11 budget, the decline in planning fee income has been almost £1.5m since income peaked in 2006/07.



Architectural Design Services has been experiencing reducing workloads for some time and a report recommending a future proposed direction of the service was approved at the Executive Board meeting of 9<sup>th</sup> March 2011. Overall there was a net income shortfall of £500k for the year.

A number of income targets across Parks and Countryside have not been met including income from cemeteries and crematoria, golf and work done for other directorates. The Sport budget included some significant increases in income levels mainly from above inflation increases in charges for school swimming, swim lessons and bodyline cards. These increases were considered to be a relatively high risk because of the potential impact on demand but the service successfully delivered these income gains and total income in sport increased by 5% and after allowing for a reduction in capacity of 8% there was a real gain of 13%.

In addition to the above income variations a number of grants were reduced as part of the Government in year grant reductions. These included a reduction of £0.9m to the Local Enterprise Growth Incentive Scheme programme managed by Economic Development, £0.8m reduction to the Road Safety Grant and £0.9m loss in budgeted income following the abolition of the Housing Planning Delivery Grant. A reduction of £32k was made to the School Travel adviser and Sustainable Travel grants. The services affected by these reductions identified and implemented actions to reduce expenditure to match the grant reductions. The Free Swimming grant was also abolished part way through the year. The grant was £0.6m in 2010/11 and this was reduced to £0.2m with the grant abolished from July 2010. Part of the loss of the grant was recouped by the reinstatement of charges for the groups benefiting from free swimming although the decision was made to delay reintroducing charges until after the school holidays. Capital grants were also affected by the in year grant reductions. Highways and Transportation was particularly affected by a reduction of over £3.7m in capital grants. This has a direct impact on the level of work available to support existing staffing levels and the service had to manage resources down to reflect reduced work programmes.

### **Other Expenditure Variations**

Throughout the year savings in operational budgets have been identified to offset income shortfalls. Overall, running costs show an underspend of £3.8m and this reflects the effort throughout the directorate to realise savings to help offset the income pressures. A large number of actions had been put forward and included reductions to the library book fund of £300k, a saving on the LEGI programme of over £800k and savings on highway spend of £1.25m, although the highway maintenance budget has also been enhanced this year by the receipt of an additional £774k from the 'pot hole' grant. The tight control over spending across the directorate has also helped generate additional savings in all services.

There are some areas of overspend and these include operational budget overspends due to delays in the implementation of 2010/11 budgeted actions. Other budget pressures include additional expenditure of £516k on planning appeals in Planning and Sustainable Development, including a provision of £200k for court costs still be billed.

Although there was significant spend on winter maintenance in November and December, the remaining winter months were not as severe meaning overall spend was in line with the budget.

## ENVIRONMENT AND NEIGHBOURHOODS

### 2010/11 OUTTURN POSITION

#### Introduction

This report sets out the 2010/11 outturn position for the directorate and provides an explanation of the major variations.

#### Overall Position

The actual outturn position for Environment and Neighbourhoods is a net overspend of £1.0m.

	£m
Budget	99.0
Outturn	100.0
<b>Variation</b>	<b>1.0</b>

#### Context

The priority for the Directorate is to ensure that the city is safe and clean, that it helps people meet their housing needs and assist people to find work. These priorities sit in a longer term context of promoting a sustainable approach to the environment and regenerating the most disadvantaged areas of the city.

Given this context the Directorate was impacted upon by the June 2010 announcement by Government with regard to in year reductions in the level of grant receivable. The impact of this reduction in grant, which was supporting Directorate priorities, has been largely managed through a combination of the utilisation of other funding sources and the identification of efficiency savings.

Similarly Government decisions in year with regard to asylum contracts have required the Directorate to manage out costs associated with the provision of these functions.

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.

Income receivable from car parking income and enforcement activity makes a significant contribution to the Council's resources and reduced activity levels has impacted upon the level of income received.

#### Staffing

In overall terms staffing within the Directorate was overspent by £1.1m.

Within the Jobs and Skills function an overspend of £0.7m is largely due to a delay in the implementation of restructure proposals. This delay was occasioned by a requirement to re-direct the service to concentrate on outreach to those excluded from the labour market and connect employers to the worklessness agenda.

The impact of costs associated with staff displaced through restructure has made a significant contribution to the overspend on staffing within the Regeneration function (£0.5m).

Within Environmental Services staffing is underspent by £0.1m. This reflects the impact of the fall out of LPSA grant (£0.5m) offset by savings on vacant posts of £0.8m. Delays in the realisation of anticipated savings within the Streetscene Change Programme has resulted in additional staffing costs of £0.5m. This variation is offset by other savings of £0.3m within Streetscene Services which has arisen largely as a result of delays in service developments within the Waste Strategy.

### **Demand**

During 2010/11 the Government announced reductions in the target contract for asylum seekers and the termination of the contract for the use of Hillside as a regional asylum facility. Reductions in level of income receivable have subsequently required the Council to deliver similar reductions in the costs associated with delivering this function. The variation of £0.7m reflects the fact that not all of these running costs could be managed out during 2010/11.

### **Income**

A shortfall in Car Parking income of £0.7m reflects a reduction in patronage of both on street and off street facilities in the City.

Further income variations of £0.6m are as a result of reductions in the number of parking offences and delays in the implementation of bus lane enforcement in the City Centre.

Additional income of £0.2m has been generated as a result of price increases for the sake of recycled materials whilst a further £0.2m additional income has been generated within the Pest Control function.

### **Other**

Savings of £0.9m which have been realised on Supporting People contract payments are due to a combination of the delivery of 10% efficiency savings by providers and cash surpluses generated by variations in activity levels.

By reviewing the activities of the mobile CCTV function, the usage and geographical location of Community Centres and the provision of housing related support, an appropriate recharge to the HRA has been made (£0.7m).

Additional costs of £0.6m have arisen as delays in the implementation of the Streetscene Change Programme. When combined with staffing variations of £0.5m



there is an overall variation of £1.1m on the Streetscene Change Programme when compared to the targeted level of saving of £1.4m for 2010/11.

Within Streetscene Services expenditure on repairs is £0.4m higher than budgeted although this is partially offset by savings on other areas of transport expenditure of £0.2m.

Across the Directorate line by line savings within all services have generated savings of £1m.

## **Housing Revenue Account - 2010/11 Outturn**

### **Overall position**

As shown in the following table the outturn position on the HRA is an in year surplus of £113k. This £113k has been added to the HRA General Reserve.

A number of factors have contributed to the year end position. These are as detailed in sections 3 and 4 below.

	<b>Latest Estimate 2010/11 £000</b>	<b>Actual Expenditure 2010/11 £000</b>	<b>Variance £000</b>
<b><u>Income</u></b>			
Dwelling Rents	165,514	168,260	-2,746
Other Rents	2,740	2,849	-109
Service Charges	3,943	4,068	-125
Housing subsidy	29,778	25,739	4,039
Recharges	5,512	2,684	2,828
ALMO recharges to capital	18,710	15,380	3,330
Other Income	3,858	5,080	-1,222
<b>Total Income</b>	<b>230,055</b>	<b>224,061</b>	<b>5,994</b>
<b><u>Expenditure</u></b>			
Salaries and Wages	4,524	4,129	-395
Premises & repairs	1,314	1,350	36
Supplies & Services	13,370	8,833	-4,537
Transport	111	102	-9
Recharges	15,466	16,736	1,270
ALMO Management Fees	112,696	114,122	1,427
Provisions	2,280	1,807	-473
Revenue Contribution to Capital	4,640	2,769	-1,871
Capital	75,654	72,267	-3,387
<b>Total Expenditure</b>	<b>230,055</b>	<b>222,116</b>	<b>-7,939</b>
<b>Net Expenditure</b>	<b>0</b>	<b>-1,945</b>	<b>-1,945</b>

	<b>Latest Estimate 2010/11</b>	<b>Actual Expenditure 2010/11</b>	<b>Variance</b>
<b>Appropriation</b>			
Sinking Fund - PFI		573	573
Swarcliffe Access Refusals		348	348
Swarcliffe Environmental Works		-52	-52
Transfer from Reserves - Lifetime Homes PFI		-650	-650
Transfer from ELI reserve		-51	-51
Transfer from General Reserve (Care ring)		-733	-733
Transfer to Care ring Replacement Reserve		657	657
Transfer to HRA/ALMO Capital Reserve		1,740	1,740
<b>Net position HRA</b>	<b>0</b>	<b>-113</b>	<b>-113</b>

### **Key variances - Income**

Rental income from dwellings has exceeded the budget by £2,746k. This reflects improved void levels, higher levels of stock than anticipated due to the decline in Right to Buy (RTB) sales and improved collection rates. Of this additional income £2,130k has been paid to the ALMOs as additional void incentive payments.

Housing subsidy is £4,039k less than budget. Of this £3.3m is due to the Council's CRI rate reducing from 4.53% when the budget was agreed to 3.75%. This reduction in subsidy is offset by a reduction in capital charges. The balance of £710k relates to a repayment to CLG for Housing subsidy overpaid in relation to 2009/10.

Of the net reduction of £2,828k in recharges, £2,931k is due to the fact that procurement costs associated with the Little London, Beeston Hill and Holbeck and the Lifetime Homes PFI project will not be capitalised.

The allowance to fund the borrowing costs associated with Decent Homes has been passported in full to the ALMOs. At year end the HRA is charged for all HRA/ALMO borrowing and the ALMOs pay back to the HRA the interest charges associated with the borrowing undertaken to fund works in their area. The reduction in the Council's average rate of interest has led to the ALMOs being charged a lower rate of interest than budgeted and is the reason for the shortfall of £3,330k.

Other income has increased by £1,222k from budget due to a number of key variances. These include additional income from City Development for Telecomm backdated leases (£370k), income from Leaseholders (£200k) and £598k for access refusals in relation to the Swarcliffe PFI scheme. This is transferred to a reserve earmarked for this purpose.

### **Key variances - Expenditure**

Savings on salaries and wages (£395k) are mainly due to a number of officers taking early retirement during the year and vacancies not being filled. In addition there are savings on training (£98k) and Occupational Health (£12k).

The position on the supplies and services budget (saving of £4,537k) reflects the requirement to show the capital element of the unitary charge payable to the Swarcliffe PFI contractor (£4,507k) within the capital expenditure line.

There are however, a number of key variances within the supplies and services budget which contribute to the net saving of £30k. These include net savings on PFI consultancy contracts (£294k), savings on IT software, office expenses and consumables (£214k) savings agreed with the Leeds Tenants Federation (£44k) and savings on conferences and catering (£43k). Key overspends include increased expenditure on valuations (£132k) and insurance (£477k) arising from the requirement to fully provide for large claims.

The overspend on recharges (£1,270k) can largely be accounted for by the identification of expenditure in the General Fund for which it is more appropriate to recharge the HRA. These areas include mobile CCTV, Community Centres and Housing related support.

Payments to the ALMOs have increased by £1,427k due to the ALMOs receiving additional payments for improved performance on voids when compared to budgeted assumptions.

Contribution to provisions is £473k less than budgeted with the main variation (£398k) relating to the contribution to the bad debt provision

Council on 14<sup>th</sup> July 2010 agreed that £4.6m should be earmarked for essential asset management work and strategic housing initiatives. Of this £2,769k has been utilised in 2010/11. The balance has been transferred to a new ALMO/HRA Capital Reserve.

The £3.6m reduction in the cost of capital is due to a combination of a reduction in the Council's average rate of interest on debt and notional cash interest on HRA working balances.

## CENTRAL AND CORPORATE

### 2010/11 OUTTURN POSITION

#### Introduction

This report sets out the 2010/11 outturn position for the directorate and provides an explanation of the major variations.

#### Overall Position

The actual outturn position is a net underspend of £5.395m:

	Benefits £m	Other £m	Total £m
Budget	2.5	70.9	73.4
Outturn	0.9	67.2	68.1
<b>Variation</b>	<b>-1.6</b>	<b>-3.7</b>	<b>-5.3</b>

Explanation of the underspend:

#### Resources (underspend of £4m)

By far the biggest contribution to the overall underspend has been savings on pay, reflecting the tight control on the release of vacancies and also a review of temporary and agency staff. This has mainly been in response to the Government's in year grant reductions and, more significantly, the grant settlements for 2011/12 and 2012/13.

In support service areas (i.e. Finance, HR, ICT and Business Support Centre) there was an overall underspend on pay of £2.1m. In addition Revenues and Benefits were £0.4m underspent and Corporate Property Management, £0.5m.

There have also been significant savings in running expenditure with a net saving (after containing some cost pressures) in support services of £0.8m. This represents a general tightening of spend but also some specifically targeted savings. For example £215k was saved from the Corporate Initiatives budget within HR.

Within Corporate Property Management, the Council's building maintenance spend has been contained within budget (overspent by £0.6m in 2009/10) mainly due to the new joint working with Property Maintenance and a new, simplified charging mechanism.

The Trading Services have generally performed well during the year, despite several pressures and uncertainties. Overall, the surplus is £0.5m better than budget. The main contribution (£451k) has been property maintenance income, which represents additional income from ALMO's, other external income, grant funded schemes and internal demand. In addition savings of £550k have been realised as a result of

extending the asset life of vehicles within Fleet Services, this saving is reflected in the strategic account.

The Public Private Partnership Unit (PPPU) made savings on expenditure of £0.4m during the year (staffing £0.3m, running costs £0.1m) and increased external income, mainly from work for the Police service, by £0.4m. This meant that charges to Council departments came in £0.8m less than original budget.

Passenger Services have delivered savings of £550k against budget which have been passed back to internal clients. The use of e-procurement has reduced the cost of private hire to Education Leeds by £250k. In addition, various initiatives resulting in better use of in-house fleet and a switch from private hire to in-house have delivered £300k savings to Adult Social Care.

### **Planning, Performance and Improvement (underspend of £149k)**

Careful control of vacancies, despite significant work pressures particularly in Customer services, meant the pay budget came in on-line.

Several specific savings were agreed mid year in response to the initiative to identify in year savings, in particular:

- Reduction in the grant to Marketing Leeds by £50k;
- Reduction in the publication of 'About Leeds' from four to two editions saving £117k.

### **Corporate Governance (overspend of £389k)**

Pay spend came in largely on line with budget.

The main reason for the overspend is that the budget assumed that there would be a saving of £250k as a result of the parliamentary election falling on the same day as the local election in 2010. In reality this saving did not materialise, mainly due to a stricter than anticipated application by the Ministry of Justice of the rules on what expenditure can be claimed by the local authority.

### **Housing Benefits (underspend £1.6m)**

There are two main elements to the underspend on the benefits budget. Firstly, it has been possible to revise downwards by £1m the provision for bad debts in respect to overpaid housing benefits. Collection performance by the Revenues Division has improved significantly during the year, both in respect of the number of overpayments made and the collection of debts. This has been achieved mainly through the increased use of 'ongoing recovery', particularly in respect of 'public tenant' debt. Secondly, additional benefit subsidy of £325k has been received in 2010/11 relating to expenditure in 2009/10.

## **STRATEGIC ACCOUNTS**

### **2010/11 OUTTURN POSITION**

#### **Introduction**

This report sets out the 2010/11 outturn position for the service and provides an explanation of the major variations.

#### **Overall Position**

The actual outturn position for Strategic accounts is a net underspend of £9.9m.

	£m
Budget	0.8
Outturn	-9.2
<b>Variation</b>	<b>-10.0</b>

#### **Context**

The Strategic Accounts include a variety of corporate budgets including central income, debt costs of the authority, contributions to Joint Committees, and central efficiency budgets.

#### **Staffing**

Strategic Accounts does not hold any staffing budgets, however during the year directorates faced pressures due to the Early Leavers Initiative. The majority of these costs were funded by a capitalisation directive from central government, but the remaining £2.6m has been borne by this service.

#### **Income**

The amount of money received from developers to fund highways works required for new developments (section 278 monies) was £2.2m less than had been budgeted for. This arose from a continuing slowdown in development activity as a result of the general economic downturn.

The authority had budgeted to receive £0.5m as part of the Local Authority Business Growth Initiative (LABGI), however this grant was included in the reductions to local government funding announced in June 2010.

#### **Other**

A review of all expenditure was undertaken to identify items that should more properly be classed as capital expenditure. As a result of this exercise an additional £3.6m of expenditure was capitalised during the year, resulting in a £3.6m reduction in revenue expenditure.

The Council has to set aside an insurance provision following an assessment of likely future payments in respect of claims received. The provision has increased by £1.5m reflecting more claims received, primarily relating to highways liabilities, and settlements from previous years being higher than initially provided for.

Debt savings of £8.5m have been achieved during the year due to an active policy of treasury management. £5.7m of these savings were passed on to the HRA as a reduction in the debt charges they receive. Additional debt related savings of £1.8m were achieved, including a £1.1m saving by capitalising the interest costs of assets under construction. This gives a saving of £4.6m within the General Fund.

Recent changes to the accounting rules regarding the treatment of PFI schemes has meant that an element of the PFI payment is now recognised as capital spend and, in accordance with legislation, can therefore be funded from capital receipts. For 2010/11 the amount of PFI payments is £8.4m and capital receipts will be used instead of revenue to fund this element. This is in accordance with proper accounting practice and is consistent with the newly applied international accounting standards for Local Government.

## Appendix 2

### Reserves Statement 2010/11 Outturn

	<i>Actual Balance 31st March 2010</i>	<i>Net Movement in Year</i>	<i>Actual Balance 31st March 2011</i>	<i>Reason for the Reserve</i>
	£k	£k	£k	
<b>General fund</b>	<b>(16,076)</b>	<b>(5,058)</b>	<b>(21,134)</b>	
<b>Earmarked Reserves</b>				
Schools PFI & Building Schools for the Future	(5,824)	(3,819)	(9,643)	} PFI Sinking Funds
Street lighting PFI	(50)	50	0	
Adult Social Care PFI	(151)	0	(151)	
LBIA Compensatory Added Years	(695)	695	0	Element of the Airport receipt used to meet pension obligations of LBIA employees.
Capital reserve	(1,773)	(2,949)	(4,722)	Directorate contns towards borrowing costs of capital schemes. Contns received over life of asset and released back to revenue to cover debt costs over life of loan.
LPSA Earmarked Reserve	(244)	244	0	Used to partly offset fallout of 2010/11 LPSA Reward Grant
Financial Inclusion Reserve	(500)	427	(73)	Yorkshire Forward Financial Inclusion Grant
Schools sickness absence reserve	(442)	342	(100)	School based reserve to pay for the cost of cover due to sickness absence.
Schools consequential loss insurance	(619)	0	(619)	School reserve to fund any related costs as a result of fires not covered by insurance.
Schools fire prevention works consortia	(195)	195	0	School reserves for fire prevention works
Members club	(8)	0	(8)	Surplus on the members club.
Leeds Learning Network	(348)	(54)	(402)	Unspent school contributions used to develop learning platforms and maintain the quality and resilience of the network.
Youth Offending Service	(563)	563	0	Surpluses of partner contributions used for liabilities such as fixed term employment contracts and accommodation dilapidation costs.
Lord Mayor	(40)	2	(38)	Unspent mayoral allocation c/wd at year end due to the difference between the financial & mayoral years.
Energy efficiency reserve - LCC	(287)	260	(27)	Energy efficiency reserves to fund invest to save energy efficiency initiatives.
Children's - IYSS reserve	(200)	(5)	(205)	Residual Connexions reserve to pay for the remaining staff on the Sub Regional Activity Agreement to enter workforce change when the project ends in 2011/12.
Economic, Social and environmental wellbeing fund	(251)	(28)	(279)	Underspends on the wellbeing area committees.
Environmental Services	(94)	91	(3)	Reserve used to fund Armley Asbestos compensation claims
Miscellaneous	(6)	6	0	C/wd of unspent Grants to other bodies used to fund the Armed Forces day in 2010/11.
Housing Needs	(854)	415	(439)	Pakistani Fire Receipt for Inner East
Mercury Abatement Reserve	0	(216)	(216)	Extra surcharge on top of cost of a cremation, to deal with the environmental impact of any release of mercury during a cremation
ELI Reserve	0	(2,501)	(2,501)	Use of balance sheet items to fund Early Leavers Initiative in 2011/12
<b>Total Earmarked Reserves</b>	<b>(13,144)</b>	<b>(6,282)</b>	<b>(19,426)</b>	
<b>Total non-Ring fenced Reserves</b>	<b>(29,220)</b>	<b>(11,340)</b>	<b>(40,560)</b>	
<b>General Fund Ring fenced Reserves</b>				
Taxi & Private Hire licensing surplus	(174)	25	(149)	Ring fenced reserve for taxi and private hire licensing service.
Schools Balances	(10,666)	(2,949)	(13,615)	Schools Balances net of VER borrowings and BSF PFI borrowing.
Extended schools balances	(4,215)	(1,298)	(5,513)	C/wd of surpluses on extended school activities.
Central schools block - DSG	(2,462)	(2,494)	(4,956)	C/wd of ring fenced DSG for centrally managed pupil orientated services.
Energy efficiency reserve - Saix	(611)	305	(306)	Energy efficiency reserves to fund invest to save energy efficiency initiatives.
Revenue grants	(6,847)	(5,088)	(11,935)	Revenue grants carried forward as per IFRS requirements (See note 1)
<b>Total General Fund Ring fenced Reserves</b>	<b>(24,975)</b>	<b>(11,499)</b>	<b>(36,474)</b>	
<b>HRA Ring fenced Reserves</b>				
HRA General Reserve	(4,639)	620	(4,019)	Reserve set up to fund the replacement of Care ring equipment
Care ring replacement	0	(656)	(656)	Fund to support the review of the future of council housing in Leeds
Future of Council Housing in Leeds	(90)	0	(90)	Injection to be made into the capital programme to support additional spending toward decency target.
Contribution to WNWHL Decency Targets	(73)	0	(73)	The balance of the £4.6m subsidy refund to be used for essential asset management work and strategic housing initiatives
ALMO/HRA Capital Reserve	0	(1,740)	(1,740)	Reserve used to fund procurement costs of Beeston Hill and Holbeck PFI scheme
Beeston and Holbeck PFI (Structural Surveys)	(150)	150	0	Reserve used to fund pre-procurement costs of the Lifetime Homes PFI scheme
Lifetime Homes scheme - PFI	(500)	500	0	Contribution to fund decanting and demolition costs
Affordable Social Housing	(800)	0	(800)	To fund the downsizing of lone tenants to widen the pool of suitable properties available for families
Underoccupancy	(98)	0	(98)	Fund to support the Early Leavers' Initiative
Workforce Change (Property Management Services)	(480)	51	(429)	To fund the purchase of land at Holdsworth Place
Holdsworth Place - land purchase	(64)	0	(64)	Tenants in the Swarcliffe area have the right to refuse contractors access to carry out improvement works. Reserve set up to fund improvement works once these tenants have vacated these properties
Swarcliffe Access Refusals	0	(348)	(348)	To fund environmental works in the Swarcliffe PFI area
Swarcliffe Environmentals	(292)	52	(240)	PFI Sinking Fund
Swarcliffe PFI	(10,946)	(573)	(11,519)	
<b>Total Other HRA Reserves</b>	<b>(18,132)</b>	<b>(1,944)</b>	<b>(20,076)</b>	
<b>Total Ring fenced Reserves</b>	<b>(43,107)</b>	<b>(13,443)</b>	<b>(56,550)</b>	
<b>Total Reserves</b>	<b>(72,327)</b>	<b>(24,783)</b>	<b>(97,110)</b>	
<b>Note 1</b>				
<b>Revenue Grants - Analysis</b>				
Adult Social Care	(1,207)	(106)	(1,313)	
City Development	(1,397)	676	(721)	
Environments & Neighbourhoods	(1,901)	977	(924)	
Children's Services	(2,342)	1,569	(773)	
Central & Corporate Functions	0	(195)	(195)	
Schools/Education Leeds	0	(8,009)	(8,009)	
<b>Total Revenue Grants</b>	<b>(6,847)</b>	<b>(5,088)</b>	<b>(11,935)</b>	



## APPENDIX 3

### CAPITAL PROGRAMME – 2010/11 OUTTURN VARIATIONS

The main reasons for the £53.9m underspend in year on the Council's capital programme can be summarised as follows:

Scheme	Underspend £000	Reason
Leeds Arena	1515.5	It was anticipated that some materials would be bought in advance of need to take advantage of good pricing (mainly £1.125m of steel) but delivery occurred in 11/12. There was also later than expected billing of advance contract work.
A65 Quality Bus Initiative	968.1	A65 - the scheme had originally been programmed by the contractor with the cash flow on a straight line basis, roughly 27 months evenly split. In the early part of this year the scheme was totally reprofiled and the surfacing and drainage have been pushed to the back of the programme and hence last years costs have fallen. The scheme is on its new programme and is 100% externally funded.
City Varieties	859.9	Post Feb 11 the contract administrator granted an extension of 10 weeks to the contract. Therefore anticipated spend in 10/11 has been slipped into 11/12. Contract now due to end in June.
Cross Green Group Repair Ph1	745.1	This is a fully externally funded scheme that uses Regional Housing Board Monies. This scheme is due to finish end of June 2011 and the new spending profile was not updated until after the cap prog was set in Feb 2011.
West Leeds Academy BSF Ph4	3466.2	Underspend is a combination of scheme profile costs not being updated and contractors not claiming costs as expected.
Priesthorpe BSF Ph2	2656.7	Underspend is a combination of scheme profile costs not being updated and contractors not claiming costs as expected.
Farnley Park BSF Ph2	1100.0	Underspend is a combination of scheme profile costs not being updated and contractors not claiming costs as expected.
Devolved Capital 2009/10	1502.3	Grant is allocated to schools on a formula basis, for them to spend. However spend, which is at their discretion, has been lower than anticipated.
Schools Capital Investment Partnership	521.5	Schools bid for funding, and these bids are evaluated on set criteria around building condition (warm and weather tight). Schools match fund this usually from their devolved capital budgets. Actual spend which is again at their discretion, has been lower than anticipated.
Capitalisation of Equal Pay	7806.2	Final provision required was less than anticipated.
Acquisition of land at Lowfields Road	689.7	Completion slipped to April 2011.

<b>Scheme</b>	<b>Underspend £000</b>	<b>Reason</b>
East Leeds Household Waste Site	546.9	This is an externally funded scheme that uses Defra grant. Although the scheme is on programme, and is expected to finish in August 2011, the new spending profile was not updated until after the cap prog was set in Feb 2011.
A660 Leeds Rd – Stubbings Farm	587.1	A660 - the scope of work on this scheme has been cut and with changes to design and the way the work has been done. Costs could now come in at under £250k in total. The balance will be put back into the parent scheme and further schemes issued. The scheme is fully TSG funded and the balance of the grant will be used in 11/12.
HRA - Strategic Landlord	645	Within the non ALMO programme the variation can largely be explained by slippage on retentions for the 63 new build properties in EASEL.
HRA – ALMOS and BITMO	6,359	<p>This is a result of further slippage which will roll over to Quarter 1 2011/12</p> <ul style="list-style-type: none"> <li>• £1.3m from the additional subsidy that is being used to provide added value over and above ALMOs planned works. This delay entailed a new commissioning process in order to provide for local sourcing of contractors for adaptations which has subsequently been awarded to Care and Repair.</li> <li>• £0.8m in heatlease installations.</li> <li>• £1m of existing adaptations contracts.</li> <li>• £1.2m of void properties work</li> <li>• £0.7m of Service delivery improvements.</li> <li>• £1.3m applications of refunds received from external contractors credited to schemes.</li> <li>• The £6.3m slippage will form part of a £58m HRA/ALMOs programme to be delivered in 2011/12.</li> </ul>