

**Report of the Director of Resources**

**Report to Executive Board**

**Date: 12th October 2011**

**Subject: Financial Health Monitoring 2011/12 - Month 5**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The purpose of this report is to inform members of the financial health of the authority after five months of the financial year 2011/12 in respect of the revenue budget and the Housing Revenue Account.
2. Significant budget savings are being achieved across all areas of the Council with in excess of £80m of reductions being delivered. There is however a projected overspend for the year of £7.4m, compared to £9.6m reported at month 4. The main reason for this improvement is the contribution of £1.6m operating surplus from Education Leeds following the finalisation of the accounts, and a potential balance of £2m on education standards fund grants.
3. In addition, the Council has been successful in a VAT claim with the HMRC which has increased the general reserves position by £8.4m as at the end of 2010/11. The report recommends that £3.5m is immediately earmarked for the Early leavers scheme and £100k for pursuing further VAT matters.
4. All Directorates will continue to develop and implement action plans, and the position will be monitored closely.

**Recommendations**

5. Members are asked to note the projected financial position of the authority after five months of the financial year 2011/12.
6. Members are also requested to approve the budget adjustments as detailed in the report.

## 1. Purpose of this report

- 1.1 This report sets out for the Board the Council's projected financial health position for 2011/12 after five months of the financial year.
- 1.2 Budget Monitoring is a continuous process throughout the year, and this report reviews the position of the budget after five months and comments on the key issues impacting on the overall achievement of the budget for the current year.

## 2. Background information

- 2.1 The month 4 projected overspend was £9.6m and the main areas of concern were:-
- Non achievement of assumed procurement savings for residential and nursing care packages within Adult Social Care
  - The number of externally provided residential and fostering placements in Children's Services
  - Income shortfalls mainly relating to planning and building regulation fees, car parking, advertising and children's centres

## 3. Main Issues Month 5

- 3.1 Budget monitoring to date is identifying that the authority has made significant progress on achieving savings targets, with more than £80m of the budgeted savings required on target to be achieved, however this still leaves an overspend of £7.4m currently projected, as detailed in Table 1 below.

Table 1

Directorate	Director	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	(Under) / Over Spend for the current period				Income £000	Total Under /Overspend £000	Previous Month (Under) / Overspend £000
						Internal Charges £000	Payments to External Bodies £000	Transfer Payments £000	Total Expenditure £000			
Adult Social Care	Sandie Keene	(101)	266	(397)	(38)	83	3,247	(82)	2,978	(65)	2,913	2,798
Children's Services	Nigel Richardson	(1,546)	(28)	(496)	41	1,141	8,475	(1,187)	5,923	(1,009)	4,915	7,762
City Development	Martin Farrington	480	85	(402)	(213)	443	1	(68)	333	1,014	1,347	1,236
Environment & Neighbourhoods	Neil Evans	1,528	(94)	(609)	334	(140)	0	(826)	194	557	751	432
Resources	Alan Gay	74	208	108	39	15	0	(141)	296	(296)	(0)	45
Legal Services	Robert Pritchard	679	2	25	9	3	0	0	717	(634)	83	(76)
Planning, Policy and Improvement	James Rogers	1	2	35	8	(0)	0	0	46	(46)	(0)	5
<b>Total</b>		<b>1,113</b>	<b>441</b>	<b>(1,737)</b>	<b>180</b>	<b>1,545</b>	<b>11,725</b>	<b>(2,304)</b>	<b>10,487</b>	<b>(479)</b>	<b>10,008</b>	<b>12,203</b>
<b>Corporate issues</b>												
Debt											-2600	-2600
<b>Total</b>											<b>7,408</b>	<b>9,603</b>

- 3.2 As part of the budget monitoring process, action plans built into budgets have been reviewed and the above projections assume the continuing delivery of action plans both corporately and within directorates.
- 3.3 Full details of directorate variations are attached as Appendix 1. The position is largely unchanged from last month, however within Children's Services the projection has improved by £2.8m which mainly reflects a £1.6m distribution of Education Leeds operating surplus and an estimation that around £2m costs can be properly charged

against standards fund grant, resulting in a saving to the general fund. In addition a variation in legal costs of £1m is now projected, primarily relating to the continuing high level of case loads within Children's Services.

### **3.4 Reserves**

- 3.4.1 Members will recall that the net budget<sup>1</sup> for the general fund was set at £582.2m, supported by the use of £2m of general fund reserves, and the level of general fund reserves at 31<sup>st</sup> March 2012 was estimated to be £19.4m.
- 3.4.2 Following the closure of the 2010/11 accounts, as reported to Corporate Governance and Audit Committee at their meeting on the 30<sup>th</sup> September 2011<sup>2</sup>, the restated opening balance of General Fund reserves as at the 1<sup>st</sup> April 2011 has risen to £29.6m following a significant post balance sheet event. The Council has recently been successful in a VAT claim to HMRC on the fees charged for the collection of trade waste. A claim was submitted in March 2009 relating to the period from 1974 to March 2008. The claim was made on the basis of anomalies between European VAT legislation and the guidance issued by HMRC, and that the collection of trade waste was a non-business, rather than a taxable business activity. In August 2011, HMRC agreed to pay the Council £3.7m plus interest of £4.7m, a total of £8.4m.
- 3.4.3 This additional income is one-off and will enhance the Council's ability to mitigate against some of the spending pressures in the current year, and reduce the impact of the £27m Formula Grant loss in 2012/13.
- 3.4.4 However, given the need to reduce the workforce further it is proposed to use £3.5m of this sum to enhance the early leavers earmarked reserve, created to meet the one-off severance costs of the scheme. In addition the Council is pursuing a number of ongoing VAT matters and it is proposed to earmark £100k to cover these costs.

### **3.5 Housing Revenue Account (HRA)**

- 3.5.1 At the end of Period 5 the HRA is projecting a surplus of £480k. This is a movement of £175k from the position reported at Period 4. This movement is primarily due to the projected increase in dwelling (£170k) and shop rents (£42k) offset by the need to fund Project Management support for the ALMO Business Centre (ABCL) Change in the Workplace Programme (£47k).

### **3.6 Budget Adjustments requiring approval by Executive Board**

- 3.6.1 As detailed in paragraph 3.4.6 above Executive Board are requested to approve the use of £3.6m of this sum to create an earmarked reserve of £3.5m to enhance the Early Leavers initiative fund and to earmark £100k for the cost of pursuing future VAT matters.
- 3.6.2 Directorates are currently preparing schedules of virements which may require Board and/or Council approval. Those requiring member approval will be included in the half year report.

## 4. Corporate Considerations

### 4.1 Consultation and Engagement

4.1.1 This is a factual report and is not subject to consultation

### 4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The Council's revenue budget for 2011/12 was subject to Equality Impact Assessments where appropriate and these can be seen in the papers to Council on 23<sup>rd</sup> February 2011.

### 4.3 Council Policies and City Priorities

4.3.1 The 2011/12 budget targeted resources towards the Council's policies and priorities. This report comments on the financial performance against this budget.

### 4.4 Resources and Value for Money

4.4.1 This is a revenue financial report and as such all financial implications are detailed in the main body of the report.

### 4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no legal implications arising from this report. In accordance with part 4 (f) of the Council's Constitution (Budget and Policy Framework Procedure Rules) Executive Board shall be entitled to vire across budget headings subject to value limits set out in the Financial Procedure Rules. This report requests budget adjustments as detailed in paragraph 3.5.1.

### 4.6 Risk Management

4.6.1 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<sup>3</sup> is prepared before the start of each financial year and is monitored on a regular basis.

The updated register shows there are 3 very high risks and 8 high risks, which is two less than last month. The very high risks are as follows:-

Risk	Key Budget Impacted	Quarter 1		
		P	I	Rating
Procurement savings for residential and nursing placements.	Commissioning adult social care	5	5	Very High
The increase in the fostering budget (£3.3m) 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	5	5	Very High
The increase in the externally provided residential placement budget £4.7m may not be sufficient to meet demand	Children and Young People Social Care	3	5	Very High

4.6.2 The two risks that are no longer considered high are re-basing of the budget in Children's Services which is now a medium risk and staffing savings within Central & Corporate which have now been achieved. However given the scale of budget reductions which need to be made to deliver the 2011/12 budget, there is inevitably an increased risk that the overall budget is not achieved.

## **5. Recommendations**

5.1 Members of the Executive Board are asked to note the projected financial position of the authority after five months of the financial year.

5.2 Members are requested to approve the budget adjustments as detailed in paragraph 3.6.1 above.

## **6. Background Documents**

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<sup>1</sup> Revenue Budget and Council Tax 2011/12 – report to Executive Board 11<sup>th</sup> February 2011

<sup>2</sup> Corporate Governance and Audit Committee report 30<sup>th</sup> Sept 2011

<sup>3</sup> Financial Risk Register 2011/12

**Directorate      Adult Social Care**

			<b>(Under) / Over Spend for the current period</b>										Previous Month
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	Internal Charges £000	Payments to External Bodies £000	Transfer Payments £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	(Under) / Overspend £000
<b>G</b>	Partnership & Organisational Development	Deputy Director Partnership & Organisational Effectiveness	0	0	0	0	0	0	0	0	0	0	(51)
<b>G</b>	Access & Inclusion	Chief Officer Access and Inclusion	30	(3)	(323)	(36)	98	(3,391)	(82)	(3,707)	(85)	(3,792)	(3,903)
<b>R</b>	Strategic Commissioning	Deputy Director Strategic Commissioning	0	0	(64)	3	(23)	5,950	0	5,866	(120)	5,746	5,692
<b>G</b>	Resources	Chief Officer Resources & Strategy	(131)	6	(67)	0	1	0	0	(191)	0	(191)	(223)
<b>R</b>	Learning Disabilities Service	Chief Officer Learning Disabilities	0	263	56	(4)	7	688	0	1,011	140	1,151	1,283
<b>R</b>	<b>Total</b>		<b>(101)</b>	<b>266</b>	<b>(397)</b>	<b>(38)</b>	<b>83</b>	<b>3,247</b>	<b>(82)</b>	<b>2,978</b>	<b>(65)</b>	<b>2,913</b>	<b>2,798</b>

# ADULT SOCIAL CARE DIRECTORATE: 2011/12 BUDGET – PERIOD 5 REPORT

## 1.0 Introduction

This report sets out the financial position for the Adult Social Care directorate for Period 5.

The 2011/12 budget included additional resources for Adult Social Care in recognition of the level of demand experienced in 2010/11. £19m was added to the community care packages budgets, but in order to fund this within the context of the Council's very challenging financial settlement substantial net savings amounting to £18.4m had to be identified.

## 2.0 Overall Summary

The Period 5 position for the Adult Social Care Directorate is a projected overspend of £2.9m compared with the Net Managed Budget of £178m. This takes account of the projected delivery of £10.5m of budgeted savings and those contingency savings identified to date. The main shortfall in the delivery of budgeted savings relates to procurement savings and had these been on target the directorate would be projecting an overall underspend for 2011/12.

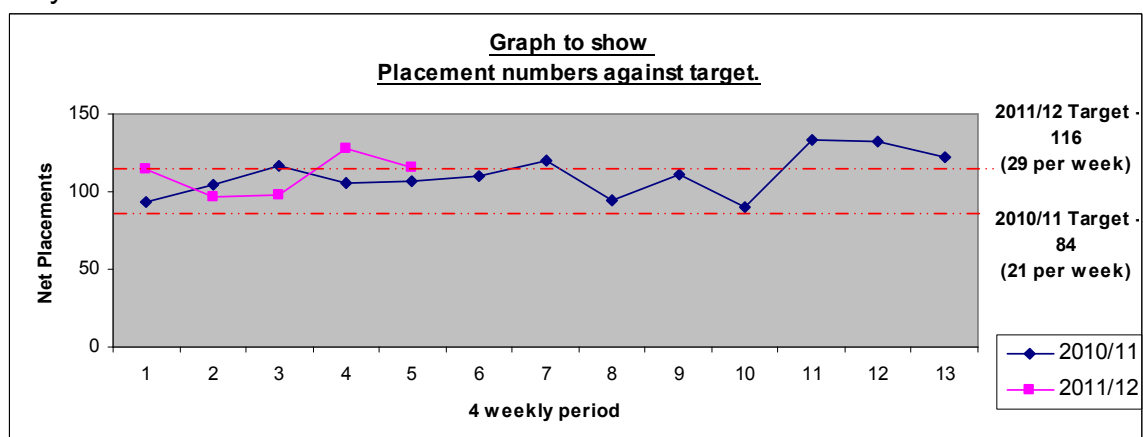
## 3.0 Explanation of the Projected Overspend

The main variations are explained below:

- **Community Care Packages - £3.0m**

- Residential and Nursing Care Placements - £2.4m

Placement numbers for the first quarter averaged three per week (10%) less than the budgeted numbers. Although placement numbers in the second quarter are higher, overall placements to date this year remain below the budgeted target. This, together with the full-year effect of 2010/11 placements, is reflected in spend being less than budgeted in respect of placement numbers. There is some volatility around placement numbers as several key drivers are outside the direct control of Adult Social Care and relatively small variations in numbers equate to a significant cash variation over a full year. The 2011/12 budget also included significant procurement savings amounting to £5.75m that are not now expected to be achieved this year.



Direct Payments & Personal Budgets – (£0.1m)

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 projected to be £0.1m lower than budgeted.

Learning Disability Pooled Budget - £0.7m

This reflects the number of clients and the costs of their care packages being higher overall than budgeted. Discussions are ongoing with NHS Leeds about the level of funding for continuing health care cases.



**Directorate Children's Services**

			<b>(Under) / Over Spend for the current period</b>											<b>Previous Month</b>	
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport	Internal Charges £000	Payments to External Bodies £000	Transfer Payments £000	Capital £000	Appropriations £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	(Under) / Overspend £000
<b>G</b>	Partnership Dev & Business Support	Chief Officer of Partnership Development & Business Support	(179)	13	52	(1)	92	(49)	(955)	(450)	0	(1,477)	(102)	(1,579)	47
<b>G</b>	Learning, Skills & Universal Services	Deputy Director of Learning, Skills & Universal Services	(2,514)	(105)	(313)	(19)	(108)	2	2	0	0	(3,054)	(1,757)	(4,810)	(512)
<b>R</b>	Safeguarding, Targeted & Specialist Services	Deputy Director of Safeguarding, Targeted & Specialist Services	1,322	65	(233)	60	993	8,522	(39)	0	(28)	10,662	(346)	10,316	8,094
<b>R</b>	Strategy, Commissioning & Performance	Chief Officer of Strategy, Commissioning & Performance	(175)	0	(1)	(1)	164	0	(195)	0	0	(208)	1,196	988	133
<b>R</b>	<b>Total</b>		<b>(1,546)</b>	<b>(28)</b>	<b>(496)</b>	<b>41</b>	<b>1,141</b>	<b>8,475</b>	<b>(1,187)</b>	<b>(450)</b>	<b>(27)</b>	<b>5,923</b>	<b>(1,009)</b>	<b>4,915</b>	<b>7,762</b>

## CHILDREN'S SERVICES: 2011/2 BUDGET – PERIOD 5 REPORT

### 1. Overall Budget Position

- 1.1 The Period 5 position for Children's Services is a projected overspend of £4.9m which represents a favourable movement of £2.8m from period 4. There are two main reasons for this significant improvement in the bottom-line position. The first reason is the inclusion at period 5 of a £1.6m distribution of operating surplus as part of finalising the Education Leeds accounts, and the second reason is an estimated standards fund grant balance of £2m.
- 1.2 At the end of August, the forecast headline budget variation is £8.94 which has been reduced by £4.04m of key budget action plans to give the £4.9m bottom-line projected overspend.

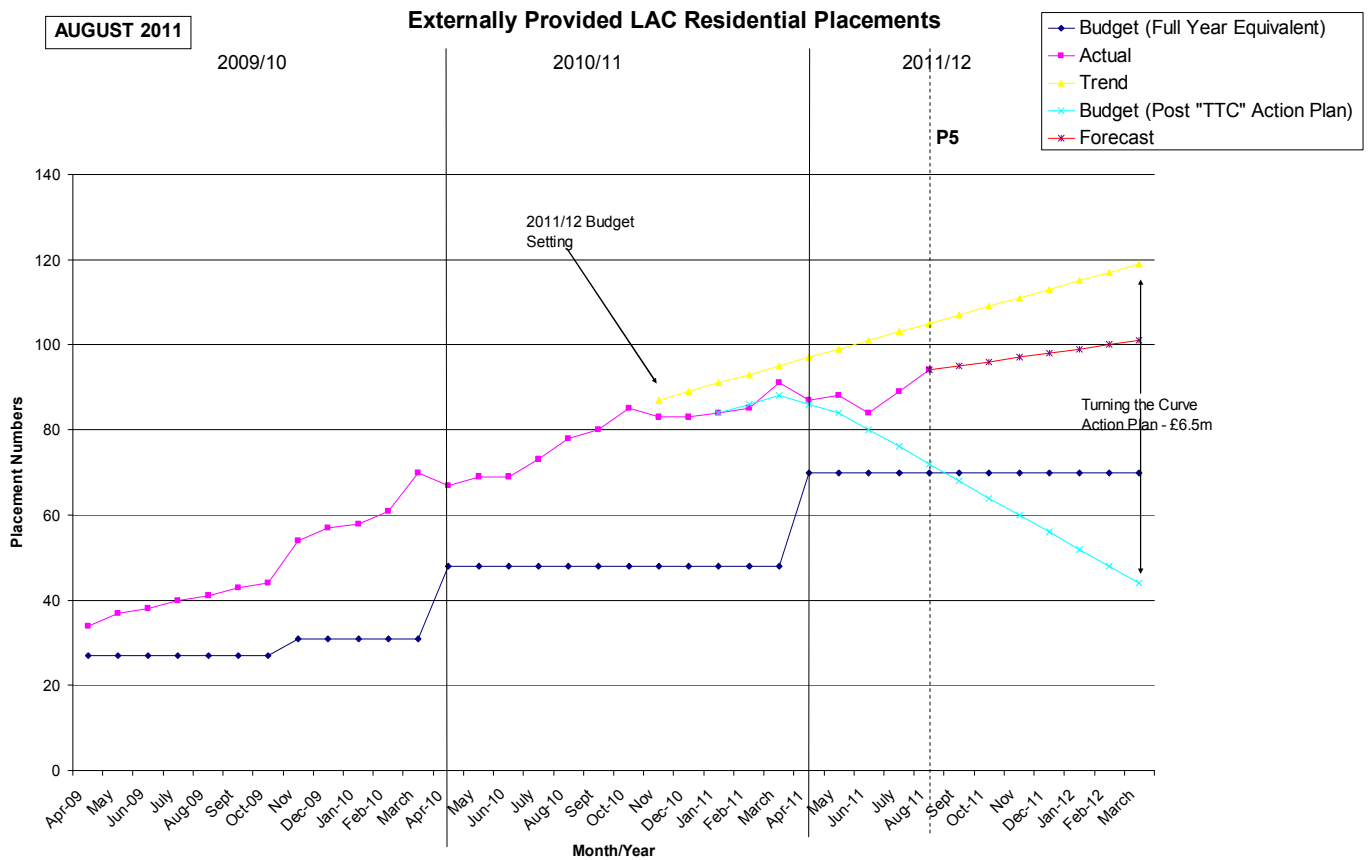
### 2. Explanation of Main Variations

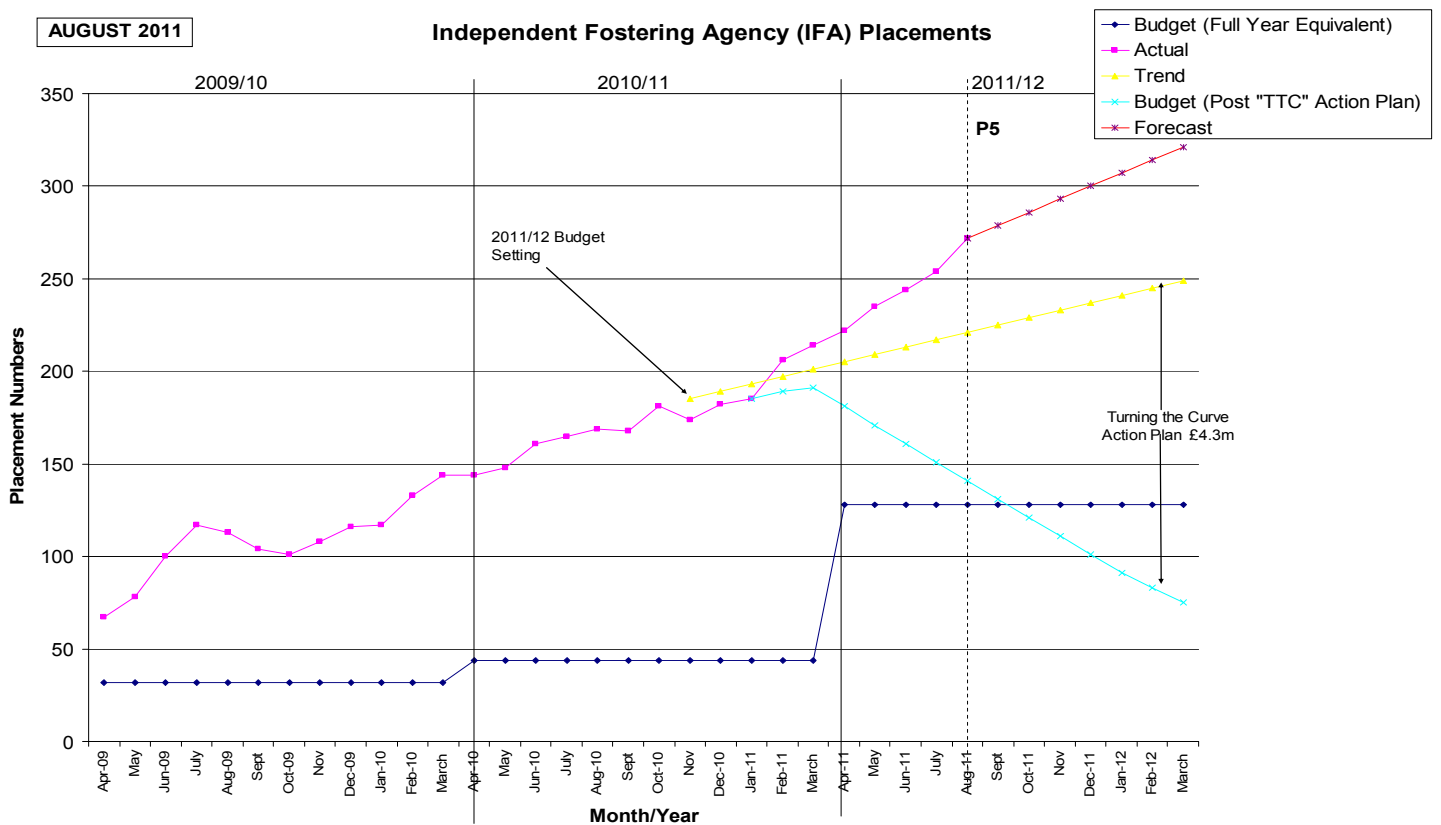
- 2.1 The main pressure on the budget continues to be around the high number of looked after children and in particular the externally provided residential and fostering placement budgets.
- 2.2 The table below provides a summary of the period 5 position on the externally provided fostering and residential budgets together with the movement from period 4.

		Latest Budget	Forecast Outturn (P5)	Forecast Variation (P5)	Movement from P4 Adv/(fav)
		£m	£m	£m	£m
1) <b>General Residential Placements</b>	Gross Cost	10.55	14.01	3.46	0.68
	Less: Budget Action Plan	0.00	(0.35)	(0.35)	0.00
	Income from Health	(0.60)	(0.59)	0.01	0.00
	Income from Education	(0.30)	(0.48)	(0.18)	0.00
	<b>Total</b>	<b>9.65</b>	<b>12.59</b>	<b>2.94</b>	<b>0.68</b>
2) <b>Other Residential Placements</b>	<b>Gross Cost</b>	<b>1.77</b>	<b>1.77</b>	<b>0.00</b>	<b>0.00</b>
3) <b>Independent Sector Fostering Agencies</b>	Gross Cost	5.35	11.25	5.90	0.34
	Less: Budget Savings Plan	0.00	(0.15)	(0.15)	0.00
	<b>Total</b>	<b>5.35</b>	<b>11.10</b>	<b>5.75</b>	<b>0.34</b>
4) <b>Grand Total</b>	Gross Cost	17.67	27.03	9.36	1.02
	Budget Savings Plan	0.00	(0.50)	(0.50)	0.00
	Income from Health	(0.60)	(0.59)	0.01	0.00
	Income from Education	(0.30)	(0.48)	(0.18)	0.00
	<b>Total</b>	<b>16.77</b>	<b>25.46</b>	<b>8.69</b>	<b>1.02</b>

2.3 At the end of August 2011, there were 94 children & young people in externally provided residential placements (a net increase of 5 placements from period 4), and 272 children & young people in placements with Independent Fostering Agencies which is a net increase of 18 placements from period 4. After making provision for some continued growth in numbers to the end of March 2012, the net spend on external placements this financial year is now forecast at £25.5m which, against a corresponding budget of £16.8m, gives a forecast overspend of £8.7m.

2.4 The graphs below show the growth in placement numbers for both the externally provided residential & fostering placements.





2.5 The pressures on the external placement budgets continue to be partly offset by projected savings of £0.5m on the in-house fostering allowances & fees budgets, which reflects the changing mix of placement provision.

2.6 The 2011/12 budget for externally provided placements was calculated on the basis of informed forecasts around potential increased demand together with a plan to 'turn the curve' and reduce placement numbers/costs over the course of the 2011/12 financial year. In light of the continuing demand and pressure on the placements budgets, the action plan for reducing the numbers of looked after children numbers has been revisited and updated with additional capacity put in place to help to drive through delivery of the actions. This plan is focussing on the key issues around;

- The impact of early intervention and prevention services on the number of looked after children and business cases to support additional investment.
- The statutory sufficiency plan for looked after children placements.
- More robust contracting and procurement arrangements.
- Improved decision making and governance.
- Better activity monitoring
- Better forecasting – immediate & medium-term (placement numbers and financial impact)
- Finalising the in-house residential review.
- Increasing in-house foster carer capacity
- Improving arrangements for supporting care leavers back into the community.

- 2.7 Across the Directorate employee budgets, the overall projection at period 5 is to underspend by £1.55m. As reported at period 4, there are continuing budget pressures in Social Care fieldwork and also in the in-house residential homes. These are offset by projected underspends across the Children's Centres which are in turn offset by a forecast shortfall in Nursery Fee income.
- 2.8 The final accounts for 2010/11 for Education Leeds have now been finalised and externally audited. As a consequence, the period 5 projections recognise the distribution of the remaining £1.6m operating surplus, although the distribution of this surplus will be subject to formal approval by the Education Leeds Directors.
- 2.9 The 2010/11 financial year was the last year of the standards fund grants. As per the grant criteria, these grants are managed across a seventeen month (April 2010 through to August 2011) spending period which recognises both financial and academic years. Whilst there is still much work to do to complete the final grant claim which is due in October, an early indication is that there could around £2m of costs more properly charged to the standards fund and this saving to the general fund has been recognised in the period 5 projections.

**Directorate City Development**

			<b>(Under) / Over Spend for the current period</b>										<b>Previous Month</b>	
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	Internal Charges £000	Payments to External Bodies £000	Transfer Payments £000	Capital £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	(Under) / Overspend £000
<b>R</b>	Planning and Sustainable Development	Chief Planning and Sustainable Development Officer	154	(20)	109	42	42	0	0	0	327	1,125	1,452	1,441
<b>G</b>	Economic Development	Chief Economic Development Officer	(1)	8	(208)	4	10	0	0	0	(187)	199	12	(5)
<b>R</b>	Asset Management	Chief Officer Asset Management	220	7	(32)	(24)	(37)	0	(1)	0	133	508	641	547
<b>G</b>	Highways and Transportation	Chief Officer Highways and Transportation	(67)	23	(39)	(279)	382	0	0	7	27	(510)	(484)	(484)
<b>G</b>	Libraries, Arts and Heritage	Chief Libraries, Arts and Heritage Officer	(522)	166	(185)	43	12	0	0	0	(486)	260	(226)	(225)
<b>R</b>	Recreation	Chief Recreation Officer	739	(99)	313	7	14	1	(67)	0	909	(570)	339	352
<b>G</b>	Resources and Strategy	Chief Officer Resources and Strategy	(44)	0	(360)	(6)	20	0	0	0	(390)	2	(388)	(389)
<b>R</b>	<b>Total</b>		<b>480</b>	<b>85</b>	<b>(402)</b>	<b>(213)</b>	<b>443</b>	<b>1</b>	<b>(68)</b>	<b>7</b>	<b>333</b>	<b>1,014</b>	<b>1,347</b>	<b>1,236</b>

## CITY DEVELOPMENT DIRECTORATE: 2011/12 BUDGET – PERIOD 5 REPORT

### 1.0 Introduction

This report sets out the financial position for City Development Directorate for Period 5.

### 2.0 Overall Summary

The Period 5 position for City Development Directorate shows a projected overspend of £1.347m. This is similar to the position at Period 4 (£1.236m). The major budget pressures continue to be planning and building fee income, markets income, planning appeal costs and staffing in some service areas. The projection assumes proposed budget saving plans will be implemented to largely offset these pressures and also assumes further staff will leave the directorate under the corporate Early Leaver Initiative scheme. However, in order to achieve the year end projection further savings will need to be identified and a full review of possible savings and other actions is currently being agreed with each service area.

### 3.0 Explanation of the Projected Overspend

The main reasons for the projected overspend are an overspend on staffing of £0.48m based on current staffing numbers, known leavers and assumed further leavers from the corporate ELI scheme, additional costs of £0.35m arising from ongoing planning appeal cases, legal costs of £0.1m and an overall shortfall in income of £0.97m. These are offset by other net savings of £0.56m.

Good progress continues to be made in implementing savings and budget actions included in the 2011/12 budget. These include significant reduction to the staffing budget, rationalisation of Sport and Library buildings, reduction in Highways spend, energy and procurement efficiency savings, reduction to contributions to external organisations and additional income generation proposals

The continuing poor economic outlook is, however, having an impact and achieving the Directorate's £94m income target is proving to be a challenge. Based on current trends a shortfall is projected. It is possible that the situation could improve later in the year but there is currently no real suggestion that this will be the case and income projections reflect this position. The projected variation by Service is shown below:

<u>Projected Variation by Service:</u>	£000s
Planning and Sustainable Development	1,452
Economic Development	12
Asset Management	641
Highways and Transportation	(484)
Libraries, Arts and Heritage	(226)
Recreation Services	339
Resources and Strategy	<u>(389)</u>
	1,347

The main projected variations are shown below and clearly show that the main budget issue is the projected shortfall in income in a number of areas.

Major Projected Budget Variations:

	£000s
Staffing	480
Building Fees shortfall	371
Planning Fees shortfall	618
Planning appeal costs (net of £200k provision)	350
Energy costs (mainly highways)	509
Advertising income shortfall	491
Markets income	359
ADS/Client services income shortfall	160
	3,338
<u>Offset by:</u>	
Supplies and Services savings	(402)
Transport savings	(213)
Premises savings	(423)
Other net variations (mainly additional income)	(953)
<b>Total</b>	<b>1,347</b>

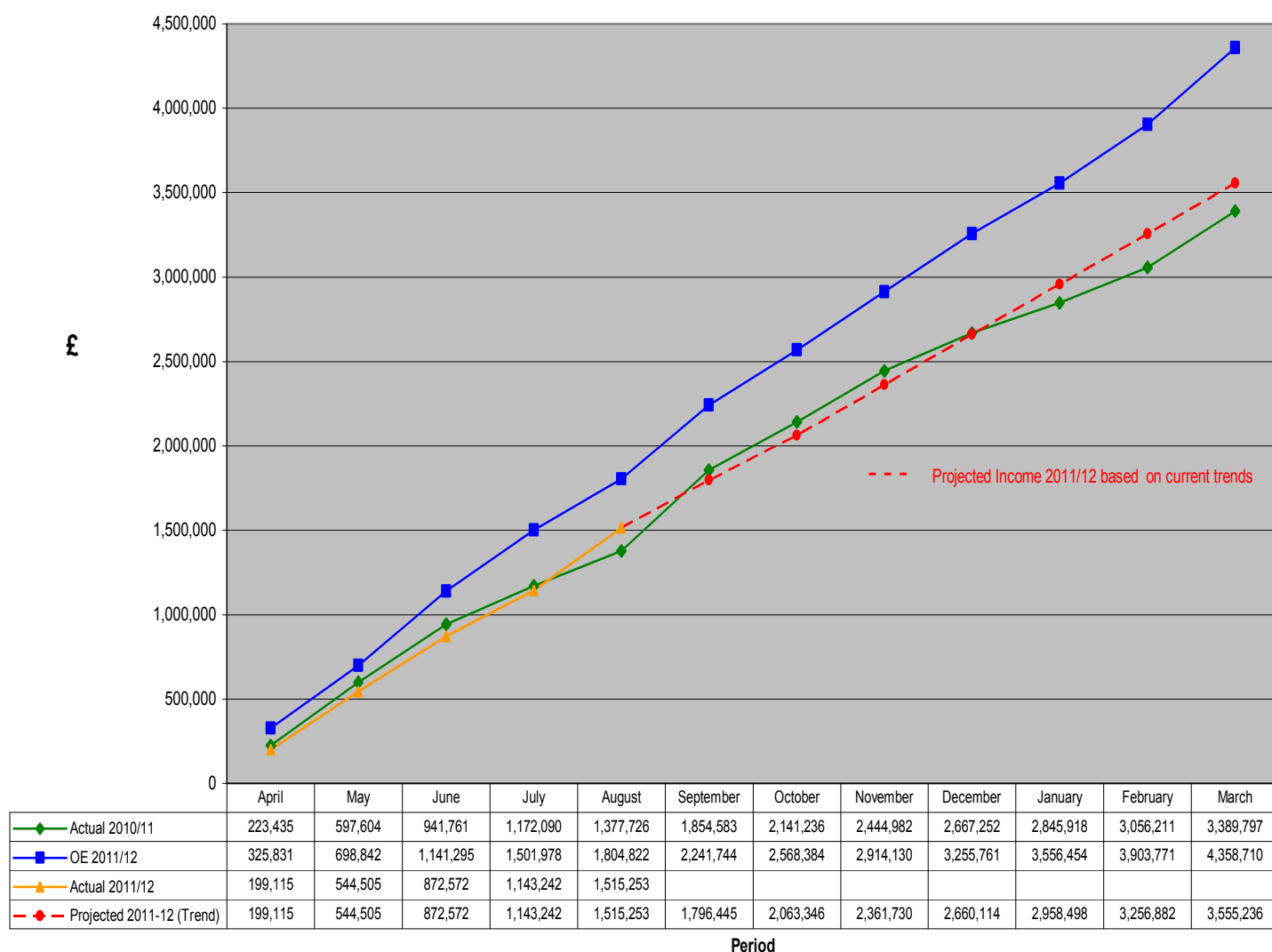
**Income**

The projected outturn at Period 5 for income includes the additional grant of £1.84m for pot hole repairs for which a virement is required to inject the additional expenditure and income. Allowing for this there is an overall projected shortfall of £0.97m.

All income targets were reviewed as part of the 2011/12 budget process but in some cases income levels are falling short of the revised targets. The most significant shortfalls are projected to be on Planning and Building fees. At period 5 the combined shortfall is £256k, the projected shortfall for the year is forecast to be just under £1m. The graph over the page shows the position to date for planning and building fee income. The budget assumed that there will be an increase in the amount collected in 2011/12 over that in 2010/11 but so far the signs are that this will not be the case and the service has yet to experience an increase in major planning applications which is where the majority of the fee income is from.



## Planning and Building Fee Income (Cumulative)



On the whole income in Sport is expected to be in line with budgets and Bodyline income is holding up well.

Other income variations include a shortfall in Markets income of £359k which is a reflection of reduced occupancy levels at Kirkgate Market and a £160k shortfall in Architectural Design Services and Client Services income reflecting lower workloads than assumed in the budget. The 2011/12 budget included additional income of £500k to be raised from new advertising opportunities in the City. A number of new sites have been identified and proposals are being developed with 9 new sites currently being progressed but due to highways, planning and other issues it is currently assumed that the majority of this income will not be received in 2011/12.

There are a number of other income risk areas that are currently projected to achieve the budget. These include income from charging for events such as for Opera in the Park and Classical Fantasia and whilst there maybe a shortfall against

original budget assumptions for these additional commercial events have been introduced this year and overall it is expected that income assumptions will be met.

## **Staffing**

The 2011/12 budget includes challenging saving targets for staffing. Staffing levels in the Directorate reduced by 229 Full Time Equivalents (FTEs) in 2010/11 and the 2011/12 budget assumes a further reduction of 67 FTEs from the position as at 1<sup>st</sup> April 2011. It is envisaged that this reduction will be achieved through a combination of managing vacancies, new Early Leaver Initiative business cases and restructures in some services. Whilst a significant proportion of the staffing savings have been achieved, mainly through the ELI exercise in 2010/11, further actions are still required to deliver the full savings. Currently it is projected that staffing will overspend the budget by £0.48m, mainly because the saving assumed in the budget on weekend enhancements in Sport are now unlikely to be made. The staffing projection assumes that additional staff will leave through the ELI. To the end of August there have been 162 expressions of interest in the scheme and Human Resources staff are working closely with service managers to prioritise progressing business cases for staff who wish to leave before the 31<sup>st</sup> December and therefore maximize the saving in 2011/12.

Control measures to actively manage staffing continue to be exercised in the directorate.

## **Operational Budgets**

As shown above, savings are anticipated on operational budgets.

### **Premises Costs**

There is a projected underspend of £423k on premises costs, excluding the £509k overspend on energy costs. A pressure of £400k is anticipated in Highways and Transportation as a result of a larger increase in the Street Lighting energy contract than was anticipated in the budget. There is also a risk that the energy savings assumed in the budget are not achieved. The majority of savings anticipated from the rationalisation of Sport and Library facilities will be achieved.

### **Supplies and Services**

Savings in supplies and services are now expected to be delivered in most services to help offset other budget pressures. The cost of planning appeals was a major budget pressure in 2010/11 and will continue to be an issue in 2011/12 as costs for some cases have still be finalised and charged, the outcome of other cases is still unknown. A provision of £200k was made in the 2010/11 accounts where the outcome and amount was known but it is projected that there could be additional costs of £350k over and above the budget provision. All services are committed to reviewing spend on supplies and services spend to identify additional savings.

## Transport

Savings of £213k are anticipated across the Directorate, with these mainly in Highways and Transportation from reduced spend on plant and fuel.

### 4.0 **Other Issues**

Options for further savings and opportunities for generating additional income are currently being discussed and assessed in the directorate. There is a risk that budget actions currently assumed to be achieved will be delayed or will realise a lower level of saving. There is also a risk that income shortfalls and workloads worsen depending on the future economic position.

**Directorate Environment & Neighbourhoods**

(Under) / Over Spend for the current period												
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	Internal Charges £000	Transfer Payments £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	Previous Month (Under) / Overspend £000
R	Street Scene Environmental Services	Chief Environmental Services Officer	601	0	(14)	229	0	(57)	759	0	759	367
R	Health and Environmental Action	Chief Environmental Services Officer	89	29	(14)	115	4	0	223	54	277	268
R	Car Parking Services	Chief Environmental Services Officer	(192)	27	(58)	(2)	(4)	0	(229)	416	188	227
R	Community Safety	Chief Community Safety Officer	184	7	9	18	0	0	217	71	288	282
R	Regeneration Management	Chief Regeneration Officer	(118)	(11)	116	1	3	0	(9)	423	414	145
R	Employment Skills	Chief Regeneration Officer	135	(3)	55	1	0	0	187	(25)	162	209
G	Strategy and Commissioning	Chief Regeneration Officer	(18)	(102)	160	1	(190)	(769)	(917)	(557)	(1,474)	(1,239)
R	Statutory Housing	Director of Environment and Neighbourhoods	327	(60)	(98)	52	(23)	0	198	50	248	232
G	General Fund Support Services	Chief Officer Resources and Strategy	352	50	(63)	0	0	0	338	0	338	(13)
G	Waste Management	Chief Environmental Services	168	(30)	(703)	(81)	72	0	(574)	125	(449)	(46)
G	Safer Leeds Drugs Team		0	0	0	0	0	0	0	0	0	0
R	<b>Total</b>		<b>1,528</b>	<b>(94)</b>	<b>(609)</b>	<b>334</b>	<b>(140)</b>	<b>(826)</b>	<b>194</b>	<b>557</b>	<b>751</b>	<b>432</b>

## ENVIRONMENT AND NEIGHBOURHOODS: 2011/12 BUDGET PERIOD 5 REPORT

### 1.0 Introduction

This report sets out the financial position for Environment and Neighbourhoods at Period 5.

### 2.0 Overall Summary

The projected position for Environment and Neighbourhoods Directorate is an overspend of £0.75m, which is £0.3m higher than the previous position reported to Executive Board.

### 3.0 Explanation of the Projected Overspend

#### Staffing +£1,645k

The cost of staff in managing workforce change following the implementation of restructures is £863k and slippage in the implementation of a number of restructures within the Directorate will result in a variation of £350k.

Within Refuse Collection, ongoing route support and attendance being slightly above the budgeted target is projected to cost £397k. Additional cost incurred for front line cover required for refuse staff training/appraisals £78k. However, this is offset by savings in PRP and by using existing spare capacity on the new Garden routes to collect SORT from Hard to Access properties (£224k).

Additional spend has been incurred in providing front line cover within Refuse Collection and Street Cleansing whilst recruitment to front line posts was progressed, however savings in vacant posts in Car Parking and Waste Management help reduce this overspend spend to £54k.

A restructure of Household Waste Sites (HWSS) staffing is expected to cost around £135k in year, but this will be funded by targeted improvements in recycling rates at these sites.

The staffing budget remains under considerable short term pressure whilst work continues on progressing a number of restructures which will ultimately deliver significant long term savings to the Directorate.

#### Premises & Supplies and Services (£1,016k)

Significant savings of over £1m which were budgeted for in waste disposal from new contracts continue to be on target to be delivered. In addition, further savings are being achieved from projected reductions in total waste arising, targeted recycling improvements at HWSS and the effect of not all waste contractors taking up the inflationary uplift. Together this is a total projected saving of (£400k).

Projections assume a spending freeze across the Directorate to contribute £557k helping offset various minor overspends.

Within the community centres division, the projection assumes savings from reviewing the caretakers costs (£104k).

#### Transport £334k

Rising fuel prices are estimated to cost £141k across Environmental Services.

The cost of back up route support vehicles is £196k, although more effective use of normal spare vehicle cover and lower external hire will save (£245k) across the Environmental Services Division.

Vehicle repairs, mainly associated with landfill damage are projected to be an additional £148k.

#### Transfer Payments (£1,000k)

Work to determine the feasibility of funding support charges in Sheltered Housing through Housing Benefit rather than Supporting People for eligible tenants, is being progressed in conjunction with the ALMOs and BITMO. An action plan to realize savings of £1,000k, has therefore been included within the financial position. A delegated decision report will be taken to the Director of Environment and Neighbourhoods seeking approval to implement the changes from November 2011.

#### Income + £795k

Car Parking income is currently projected to be £415k short of the budget overall. However, this comprises a number of variations mainly further reductions in PCN numbers, lower than anticipated income from suspended bays, a reduction in fee income and the expected non achievement of conversion of short stay spaces to long stay.

Income in Waste Management is anticipated to be £120k below budget as a result of not receiving any income from recycled glass and lower gas generation at Gamblethorpe landfill site.

In addition, there is a £138k pressure on income chargeable to capital / HRA on the Group Repair Scheme and the Town & District Regeneration programme. Also a shortfall of £124k is forecast for the security service based on actual activity last year.

**Directorate      Resources**

			<b>(Under) / Over Spend for the current period</b>										<b>Previous Month</b>	
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport	Internal Charges £000	Payments to External Bodies £000	Use of Reserves £000	Capital £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	(Under) / Overspend £000
G	Financial Management	Chief Officer Fin Management	(37)	0	30	(2)	7	0	0	0	(2)	(79)	(81)	(54)
G	Business Support Centre	Chief Officer Fin Management	(55)	1	85	(2)	(1)	0	0	0	29	(140)	(111)	(60)
G	Financial Development	Chief Officer Fin Development	(62)	0	12	0	0	0	0	0	(50)	(10)	(61)	(65)
G	Revenues and Benefits	Chief Revenues and Benefits Officer	(82)	2	(71)	33	0	0	50	0	(68)	(120)	(188)	(193)
G	Information Technology	Chief ICT Officer	85	0	(11)	0	0	0	(150)	0	(75)	100	25	5
G	Human Resources	Chief Officer HR	(595)	(43)	132	3	93	0	0	0	(410)	26	(384)	(234)
G	Audit & Risk	Chief Officer Audit and Risk	9	3	(1)	(1)	(1)	0	0	0	8	1	7	(50)
G	CORS Directorate	Chief Officer Resources and Strategy	9	0	4	0	0	0	0	0	14	(7)	7	5
R	Public Private Partnership Unit	Chief Officer PPPU	72	0	11	0	0	0	0	0	83	(17)	66	92
G	Procurement		0	0	0	0	0	0	0	0	0	(52)	(52)	(16)
G	Democratic and Central Services	Chief Officer Democratic and Central Services	(40)	139	(82)	7	25	0	0	(8)	42	(88)	(47)	(115)
R	Commercial Services	Chief Officer Commercial Services	769	107	0	0	(110)	0	(41)	0	725	93	818	730
G	<b>Total</b>		<b>74</b>	<b>208</b>	<b>108</b>	<b>39</b>	<b>15</b>	<b>0</b>	<b>(141)</b>	<b>(8)</b>	<b>296</b>	<b>(296)</b>	<b>(0)</b>	<b>45</b>

Directorate

Legal Services

(Under) / Over Spend for the current period

Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	Internal Charges £000	Payments to External Bodies £000	Transfer Payments £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	Previous Month (Under) / Overspend £000
g	Legal Services	Chief Legal Services Officer	679	2	25	9	3	0	0	717	(634)	83	(76)
g	<b>Total</b>		<b>679</b>	<b>2</b>	<b>25</b>	<b>9</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>717</b>	<b>(634)</b>	<b>83</b>	<b>(76)</b>



**Directorate Planning, Policy and Improvement**

			<b>(Under) / Over Spend for the current period</b>											<b>Previous Month</b>	
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	Internal Charges £000	Payments to External Bodies £000	Transfer Payments £000	Capital £000	Appropriations £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	(Under) / Overspend £000
G	Customer Services	Chief Officer Customer Services	0	2	(10)	8	0	0	0	0	0	(1)	0	(1)	(1)
G	Leeds Initiative & Partnerships	Chief Officer LIP	(45)	0	45	0	0	0	0	0	0	0	(46)	(46)	0
G	Business Transformation	Chief Officer Business Transformation	0	0	0	0	0	0	0	0	0	1	0	1	2
G	PPI Management & Support	Assistant Chief Executive	46	0	0	0	0	0	0	0	0	46	0	46	2
G	Area Management	Area Leader	0	0	0	0	0	0	0	0	0	0	0	0	2
<b>G</b>	<b>Total</b>		<b>1</b>	<b>2</b>	<b>35</b>	<b>8</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>(46)</b>	<b>(0)</b>	<b>5</b>

## CENTRAL AND CORPORATE FUNCTIONS: 2011/12 BUDGET – PERIOD 5 REPORT

### 1.0 Introduction

This report sets out the financial position for Central and Corporate Functions at period 5 of 2011/12.

### 2.0 Overall Summary

The Central and Corporate budget for 2011/12 reflects savings and efficiencies amounting to £15.7m representing a considerable challenge for services to deliver.

The projection at month 5 is a small overspend of £83k.

### 3.0 Explanation of the projected overspend

#### Resources (balanced)

##### Staffing (+£74k)

The most significant area of savings for Resources is staffing; the pay budget was reduced by £8.2m in 2011/12. In anticipation of the level of savings required, vacancy control has been very carefully managed for the past year, and in addition the Directorate has been successful in reducing staff costs through the Early Leavers Initiative. As a result, £6m of savings were secured before the start of the financial year. With the continuation of these measures there have been further reductions in staff levels and therefore further pay savings are predicted within most services.

The predicted underspend within central support services amounts to £708k. However, the biggest challenge has been achieving the ambitious staffing reductions within the traded services in Commercial Services and it is currently anticipated that pay will overspend by £769k in this area.

##### Premises (+£208k)

The predicted overspend is mainly due to difficulties in achieving the budgeted utilities savings and also some NNDR charges being higher than expected.

##### Supplies and Services (+£108k)

The majority of the variation is caused by additional spend within HR on a number of areas including printing, postage, ICT and costs associated with the ex-Roseville staff.

##### Transport (+£39k)

No significant variations from budget.

##### Use of reserves (-£141k)

The variation represents an adjustment from the Leeds Learning Network reserve which is being drawn upon to fund cost pressures in revenue in relation to this service.

### Income (-£296k)

Additional income of £296k is projected comprising £150k additional court fee income and other minor variations of £146k including funding of the May referendum.

### **Planning, Policy and Improvement (balanced)**

No significant variations in spend or income are apparent at month 5 and the Directorate have plans in place to ensure that the budget is brought in on-line.

### **Legal Services (£83k overspent)**

A feature of the 2011/12 budget was a £1m reduction in legal spend. This was represented in the budget by a £1m reduction in directorate budgets for legal services. Within Legal services itself, the pay budget was reduced by £1m matched by the same reduction to income (ie recharges back to directorates). The net managed expenditure budget for 2011/12 of legal services is £5.2m (which included an additional £0.4m in anticipation of higher caseload from Children's services).

In terms of context, the eventual spend on internal legal services in 2010/11 came in at £7.2m against a budget of £5.8m, an overspend of £1.4m which reflected the level of demand for the service from directorates.

Based on activity to month 5, in order to meet current demand levels, there is a projected overspend within general fund directorates of £954k, with £800k relating to increased caseload from Children's Services. The predicted cost of the internal legal services is now estimated at £5.9m, £0.7m over budget.

However, in comparison with the actual spend of £7.2m in 2010/11, there is a saving of £1.3m, mainly through staff cost savings by using means such as the early leavers initiative and also a significant reduction in use of agency and temporary staff.

In terms of external legal spend (disbursements) the overall Council budget amounts to £2.2m. Current levels of spend indicate that that budget will be overspent by £145k in 2011/12, although it is a volatile budget and difficult to predict. Legal Services are currently renewing the call off contract for solicitors which will hopefully result in even more competitive rates and a joint procurement framework for counsel has been agreed across the five West Yorkshire councils which will reduce some barristers fees by up to 50%.

In addition external spend on counsel and solicitors has reduced by 32% compared with the same period in 2010/11.