

Report of the Deputy Chief Executive

Report to Executive Board

Date: 9th October 2013

Subject: Financial Health Monitoring 2013/14 – 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 in respect of the revenue budget and the housing revenue account.
2. As members will be aware, 2013/14 is the third year of the Comprehensive Spending Review budget and the reduction in government funding for 2013/14 again presents a significant financial challenge to the Council. It does therefore remain imperative that all actions agreed in the budget are delivered, and should identified savings not be achieved alternative funding options will be needed.
3. Action is taking place across all areas of the Council and it is clear that significant savings are being delivered in line with the budget, but nevertheless at this stage of the financial year an overall overspend of £3.2m is projected.
4. Members are asked to note the projected financial position of the authority after five months of the financial year together with the impact on reserves should directorate spending not be maintained within approved estimates.
5. After five months the HRA is projecting a surplus of £0.3m.

Recommendations

6. Members are asked to note the projected financial position of the authority after five months of the financial year 2013/14.

1. Purpose of this report

- 1.1 This report sets out for the Board the Council's projected financial health position for 2013/14 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 Members will recall that the net budget for the general fund was set at £583.9m, supported by the use of £2.5m of general fund reserves.

Following the closure of the 2012/13 accounts, an underspend of £6.7m was achieved and after a transfer of £3.74m to earmarked reserves, an additional £2.9m was added to general reserves, giving year end reserves at 31st March 2013 of £23.1m. The final part of the audit process for completing the 2012/13 accounts requires officers to assess whether there are any significant events which have happened after the year end which require a retrospective adjustment to the final published accounts. For the financial year 2012/13 the Council has agreed to pay £2m for works completed regarding a contractual dispute in respect of the Housing Revenue Account. As the settlement is still subject to final agreement, the Council has created a £2m provision which has been fully funded from HRA earmarked reserves.

3. Main Issues

- 3.1 After five months of the financial year an overspend of £3.2m is projected, as detailed in Table 1 below.

Table 1

		(Under) / Over Spend for the current period					Month 4 over/under spend
Directorate	Director	Staffing £000	Other spend £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	
Adult Social Care	Sandie Keene	869	1,063	1,932	(907)	1,025	990
Children's Services	Nigel Richardson	(3,308)	3,757	449	1,542	1,991	1,615
City Development	Martin Farrington	510	(389)	121	869	990	1,240
Environment & Housing	Neil Evans	180	(552)	(372)	(20)	(392)	0
Strategy & Resources	Alan Gay	(424)	171	(253)	253	0	0
Legal & Democratic Services	Catherine Witham	(4)	(3)	(7)	3	(4)	(4)
Public Health	Ian Cameron	(301)	0	(301)	1	(300)	0
Citizens & Communities	James Rogers	36	228	264	(265)	(1)	(1)
Civic Enterprise Leeds	Julie Meakin	193	336	529	70	599	601
Total		(2,249)	4,611	2,362	1,546	3,908	4,441
Corporate issues							
Transfer of Public Health underspend to earmarked reserves						300	0
Debt Savings						(1,000)	(800)
Total						3,208	3,641

- 3.2 The major variations from month 4 are outlined below and further details of directorate projections for the year can be found in the financial dashboards attached to this report.
- 3.2.1 Staffing – the saving on staffing is now projected to be £0.5m more than reported at the month 4, primarily due to a £0.3m underspend in Public Health staffing costs. There has also been a £0.2m increase in the cost of front line staff in waste management on non Alternate Weekly Collection routes.
- 3.2.2 Adult Social Care – The overall projected overspend for Adult Social Care is £1.0m, the same as at Period 4. The main issue is a £3.4m pressure on the home care budget that has increased by £1.6m, the increase being offset by a reduction in staffing, the reassessment of income and increased use of earmarked reserves. The number of home care packages ceasing due to deaths or people moving into residential care has reduced from previous years and the independent sector's capacity to meet people's needs for new care packages promptly has increased. Both these factors, which support the directorate's strategy to support more people in their own homes, have contributed to the increased home care spend this year.

In addition, some budgeted plans within the directly provided Community Support Service have not proceeded as quickly as anticipated. Whilst pressure on the home care budget is expected to continue, taking account of the analysis undertaken recently and the robust control mechanisms that are in place, the projection reflects an assumption that new hours of care provided in the second half of the year do not exceed ceased hours. This assumption carries some risk and the winter period is ahead, but unlike previous years there will be no additional "winter pressures" funding from the NHS as nationally this is being directed to acute hospitals, particularly those experiencing the greatest pressures.

- 3.2.3 Children's Services – the projected overspend has increased by £0.4m which is primarily around increased staffing costs in the social work fieldwork teams, and a projected reduction in the budgeted funding for complex payments and the continuing number of placements within independent fostering agencies.
- 3.2.4 It should be noted that the delivery in full of all budgeted savings and income targets does still carry a degree of risk.
- 3.3 Council Tax and NNDR
- 3.3.1 As indicated in the 2013/14 Budget Report, the introduction from April 2013 of a scheme of Council Tax discounts does raise additional risks as to collection and the assumed collection rate for Council Tax was reduced from 99.2% to 99% to reflect this additional risk. The collection rate after 5 months is as follows:
- Overall collection rate – 46.1% (46.7% last year). The collection rate target for the current year is 1% lower than last year (95.5% compared to 96.6%) to reflect the increase in debt which has fallen due in respect of those who previously were in receipt of 100% Council Tax Benefit. In addition, more taxpayers are opting to pay over 12 months rather than 10. Therefore collection is currently on target based on this estimate.

- Overall collection rate for those affected by Council Tax Support scheme – 31.3% (25.6% month 4)
- Collection rate for those previously getting 100% Council Tax benefit – 28.3% (22.6% month 4)

3.3.2 In terms of NNDR collection, the collection rate at the end of August is 50.88% which is 0.07% less than the same time last year and is not a cause for concern.

3.3.3 It should be noted that any losses on both Council Tax and NNDR greater than those assumed in setting the budget will materialise through a collection fund and will not impact in the current year.

3.4 Social Fund

3.4.1 From April 2013, the discretionary aspects of the Social Fund which provides financial help to people on a low income who need help with extra expenses were devolved to Local Authorities to administer. The Council will receive £2.8m grant funding in 2013/14 together with administration funding of £610k. £2.3m has been allocated to direct awards, and these are being made on an on-going basis throughout the year; as at the end of August, spend was £452k with a current projection of c£2.0m for the year.

4.0 Housing Revenue Account (HRA)

4.1 At the end of Period 5 the HRA is projecting a surplus of £333k comprising the following:-

- Additional rental income of £0.7m is projected from dwelling rents. This is due to improved performance on voids (currently at 0.9%) generating £1.1m of income (this will be paid to the ALMOs in line with the current voids incentive scheme), offset by an estimated £0.4m loss of income arising from Right to Buy (RTB) sales and other stock movements.
- To the end of August there were 196 RTB sales and for the year they are projected to be 375, which is 241 more than budgeted. The anticipated increase in RTB sales will result in a saving of £312k reflecting administration costs which can be offset against the capital receipts.
- There are projected savings of £1.0m in the budgeted contribution to the provision for bad debts. This saving is anticipated to arise due to the introduction of a new methodology for calculating the provision. It is proposed that this is transferred to the Major Repairs Reserve and used to fund additional capital investment priorities.
- The Little London, Beeston Hill and Holbeck (LLBH&H) PFI project has now been signed and service commencement is due to begin in October.
- It is anticipated that £240k of unbudgeted interest will be earned on HRA balances, which is in line with 2012/13. A further £181k of positive variations

arises from a combination of additional income and savings against revenue budgets.

5.0 Corporate Considerations

5.1 Consultation and Engagement

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

5.2 Equality and Diversity / Cohesion and Integration

5.2.1 The Council's revenue budget for 2013/14 was subject to Equality Impact Assessments where appropriate and these can be seen in the papers to Council on 27th February 2013.

5.3 Council Policies and City Priorities

5.3.1 The 2013/14 budget targeted resources towards the Council's policies and priorities. This report comments on the financial performance against this budget.

5.4 Resources and Value for Money

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

5.5 Legal Implications, Access to Information and Call In

5.5.1 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. There are no requests this month.

5.6 Risk Management

5.6.1 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 is prepared before the start of each financial year and is monitored on a regular basis. The scoring matrix is as follows:

Probability		Impact	
Score	Description	Score	Description
1	Rare	1	Insignificant £0-£499k
2	Unlikely	2	Minor £500-£999k
3	Possible	3	Moderate £1000-£1499k
4	Probable	4	Major £1500-£1999k
5	Almost Certain	5	Highly Significant Over £2m

Corporate Rating

P	I	Total Score	Corporate Rating
1	1	1	Low
1	2	2	Low
2	1	2	Low
3	1	3	Low
2	2	4	Low
4	1	4	Low
5	1	5	Low
1	3	3	Medium
2	3	6	Medium
3	2	6	Medium
4	2	8	Medium
5	2	10	Medium
2	4	8	High
1	4	4	High
1	5	5	High
2	5	10	High
3	3	9	High
3	4	12	High
4	3	12	High
5	3	15	High
3	5	15	Very High
4	4	16	Very High
4	5	20	Very High
5	4	20	Very High
5	5	25	Very High

5.6.2 The register shows that at month 5 there are no very high risks and 5 high risks as follows:-

Risk	Key Budget Impacted	P	I	Rating	Service area
Health Transformation funding of £3.0m which is assumed in the 2013/14 budget will not be received in full. This is still under negotiation.	Adults/ Children's Services	3	4	High	Childrens & Adults
Reduced independent sector domiciliary care spend through the activities of the reablement service, the expansion of telecare and implementing electronic monitoring may not be fully achieved	Access & Inclusion	3	3	High	Adult Social Care
Community Care packages may exceed the budgeted number and/or cost	Access & Inclusion	4	3	High	Adult Social Care
External income in Asset Management falls short of the budget assumptions. This includes commercial property rental income, advertising and surveyor and legal fees. Further deterioration in economic conditions could have a significant impact on the income base. The combined budget is £6.13m and the risk is considered to be up to £1.0m	Asset Management	3	3	High	City Dev
Section 278 Risk that due to economic climate, receipts may not pick up	Strategic	2	4	High	Cross Cutting

5.6.3 The risk of community care packages exceeding the budgeted number and/or cost has now been increased from a medium to high risk.

6. Recommendations

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

7. Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

CHILDREN'S SERVICES DIRECTORATE

FINANCIAL DASHBOARD - 2013/14 FINANCIAL YEAR April to August - Month 5

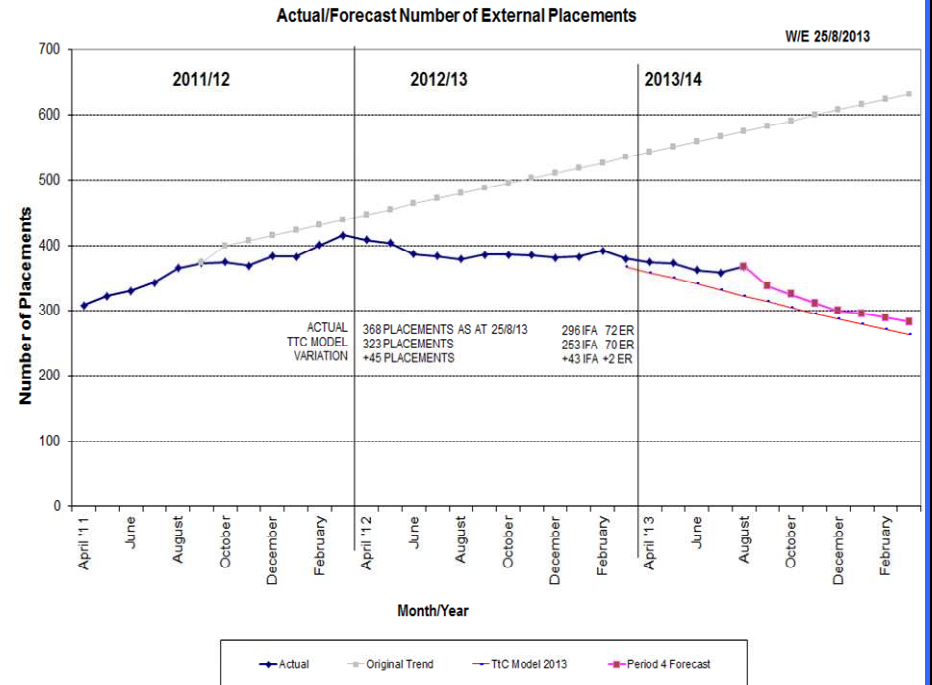
Overall, the month 5 forecast variation for the Children's Services Directorate is an overspend of £1.99m [1.47%] against the net managed budget of £135m. This projection represents an adverse movement of £0.4m which is primarily around increased staffing costs in the social work fieldwork teams, a projected reduction in budgeted funding for complex placements and the continuing number of placements with Independent Fostering Agencies.

Looked After Children - the 2013/14 budget strategy recognised the strategic obsession around reducing the need for children to be in care with budget action plans totally £8m around safely reducing placement numbers [-£6m], increasing funding from partners [-£1m] and negotiating procurement savings [-£1.1m]. At this stage in the financial year, the forecast is that these significant budget savings will largely be achieved, but with some potential slippage. In terms of placement numbers, at the end of August 2013, there were 72 children & young people in externally provided residential placements [+2 compared to the financial model] and 296 children & young people in placements with Independent Fostering Agencies [+43 compared with the financial model]. Overall, these placement numbers translate into a potential pressure of £1.1m, with detailed work continuing around permanency and transitional planning. In addition, negotiations are continuing with providers to secure the budgeted procurement savings from the implementation of the new regional framework contracts and also with partners around achieving the right balance of funding for the most complex placements. The month 5 projections continue to recognise some demand pressures around alternatives to care, including adoptions and special guardianship orders [£0.5m], care leavers [£0.2m] and direct payments [£0.1m]. **Staffing** - at month 5 the overall staffing budgets are forecast to underspend by £3.3m across the combined general fund, grant funded and central schools budget functions. These projections recognise the number of vacant posts across the Directorate and also the impact of the predominantly internal recruitment market. The forecast spend on agency staffing is £6.4m and £1.1m on overtime. **Premises & Supplies & Services** - the projected variation confirms the intention to release the earmarked reserves to support the in-house residential review [£0.2m] and the relocation of the Youth Offending Service [£0.15] in addition to forecast savings from restricting all non-essential spend. **Transport** - the 2013/14 budget strategy included anticipated savings of £2.8m in the current year from reviewing the way all aspects of home to school transport is provided. The month 5 projections reflect the Executive Board's decision to phase the implementation of the agreed changes to the home to school transport policies in addition to some continuing demand pressures which are mitigated through the implementation of some provision changes in the current year. **Income** - the forecast £1.5m variation across the income budgets is due in the main to forecast underspends across the services/functions which are funded by the Central Schools Budget [£1.5m] in addition to a forecast variation [£0.4m] in respect of nursery fee income. These are offset by Social Fund income of £0.5m in respect of section 17 emergency payments.

Budget Management - net variations against the approved budget

	PROJECTED VARIANCES												Total (under) / overspend £'000
	Expenditure Budget £'000	Income Budget £'000	Latest Estimate £'000	Staffing £'000	Premises £'000	Supplies & Services £'000	Transport £'000	Internal Charges £'000	External Providers £'000	Transfer Payments £'000	Total Expenditure £'000	Income £'000	
Quarter 1	292,402	(157,071)	135,331	(3,246)	(227)	25	48	67	904	181	(2,248)	3,398	1,150
Month 4	291,339	(155,876)	135,463	(3,734)	(603)	(464)	2,192	618	1,226	(212)	(977)	2,591	1,614
Month 5	290,243	(155,508)	134,735	(3,308)	(602)	(28)	2,139	833	1,370	45	449	1,542	1,991

	Expenditure Budget £'000	Income Budget £'000	Latest Estimate £'000	Quarter 1 £'000	Month 4 £'000	Month 5 £'000	Month 6 £'000	Month 7 £'000	Month 8 £'000	Month 9 £'000	Month 10 £'000	Month 11 £'000	Month 12 £'000	Outturn £'000
Partnership, Development & Business Support	17,713	(16,075)	1,638	(260)	(951)	(814)								
Learning, Skills & Universal Services	78,561	(55,656)	22,905	141	(402)	(634)								
Safeguarding, Targeted & Specialist Services	125,671	(29,652)	96,019	1,299	156	738								
Strategy, Performance & Commissioning	68,298	(54,125)	14,173	(30)	2,811	2,701								
Total	290,243	(155,508)	134,735	1,150	1,614	1,991	0	0	0	0	0	0	0	0



Legend: Actual (Blue line with diamonds), Original Trend (Grey line with squares), TTC Model 2013 (Red line with triangles), Period 4 Forecast (Pink line with stars)

ENVIRONMENT & HOUSING DIRECTORATE SUMMARY FINANCIAL DASHBOARD - 2013/14 FINANCIAL YEAR Period 5 (August 2013)

Overall Position -£392k

The overall period 5 projection is an underspend of £392k.

Community Safety (£36k underspend)

A net underspend of £48k on staffing is anticipated, after adjusting for income effects from vacant funded posts and the ELI efficiency target. The staffing underspends are primarily within Leeds Watch. A pressure of £9k is expected as a result of the West Yorkshire police pay award for PCSOs. The income targets for the service are expected to be achieved.

Resources Strategy & Commissioning (£401k underspend)

There is a projected underspend on Supporting People contract payments.

Community Centres are projected to overspend by £178k but it has been assumed that £130k of further actions will be identified by the service. This is a challenging target.

Review of charges to Public Health indicates an increased proportion of staff time spend on Commissioning Drug Treatment & Intervention and an action plan of £45k additional income has been assumed.

The Drugs Commissioning Service has agreed a list of contracts that will be funded by Public Health and the Police and Crime Commissioner therefore no over/underspend is anticipated.

Statutory Housing (£0k balanced)

Staffing savings of £229k have been projected. This is primarily due to post vacancies arising from the recent restructure. The staffing underspend will offset efficiency targets built into the 13/14 budget - primarily the £200k target for Adaptions income from Housing Associations which has been treated as capital income.

Parks & Countryside (£150k underspend)

An underspend of £194k on staffing is anticipated for the year due to a number of vacant posts at the start of the year. An NNDR revaluation will give a one off underspend of £168k in 13/14.

However this is partially offset by a £70k golf income pressure, £46k utilities pressure and a £123k pressure on insurance charges and in overall terms the service is expected to underspend by £150k.

Car Parking (£528k underspend)

Savings from vacant posts that are in the process of being recruited to will save £106k.

Parking income is projected to be £528k higher than the budget. This is mainly additional income from existing bus lane enforcement (£456k), New BLE sites are assumed to cover their costs in year 1 at £157k. Net result of Car park closures are estimated generate additional £175k and fee income at Woodhouse is forecast at £287k lower than the budget.

Waste Management (£622k overspend)

Refuse Collection is projected to over spend by around £360k.

The estimated costs of sickness cover above the budget is £137k, staff in MWC is £15k and the cost of additional management support helping to progress key service projects is expected to be around £86k. Additional front line support to ensure the successful introduction of phase 1 AWC has cost £16k and if replicated in Phase 2 will be around £31k.

Vehicle repairs are forecast to be around £115k above the budget, Although this is a pressure it is a significant cost reduction on the 12/13 position.

Within Waste (Strategy & Disposal) £200k relates to the continuing reduction in electricity from gas generation at Gamblethorpe, with the remaining variance relating to additional payments for extra contact centre staff and the additional cost of 'waste recycling advisors' within the Education budget.

Savings in procurement costs of around £100k are also forecast.

Environmental Action (£102k overspend)

Additional cleansing in Arena quarter after events £50k, and ongoing costs of staff in MWC are anticipated to be £119k partially offset by other staffing savings.

Budget Management - net variations against the approved budget;

Summary By Expenditure Type

	Latest Estimate £'000	Projected Variations									Total (under) / overspend £'000	
		Staffing £'000	Premises £'000	Supplies & Services £'000	Transport £'000	Internal Charges £'000	External Providers £'000	Transfer Payments £'000	Appropriation £'000	Total Expenditure £'000		Income £'000
Quarter 1	78,016	4	(121)	116	(283)	6	148	0	0	(130)	129	0
Month 4	79,147	(55)	(250)	303	(504)	(472)	(272)	0	276	(974)	974	0
Month 5	79,230	180	(194)	358	(414)	0	(302)	0		(372)	(20)	(392)

Summary By Service

	Latest Estimate £'000	Quarter 1	Month 4	Month 5	
		£'000	£'000	£'000	
Community Safety	3,398	(20)	(51)	(36)	£48k staffing underspend, primarily LeedsWatch/Signpost less £9k of WYP pay pressure for PCSOs
Resources, Strategy & Commissioning	13,320	(19)	51	(401)	reflects underspend on Supporting People
Statutory Housing	2,671	0	0	0	£229k staffing savings less income pressures from unachieved budget action plans (£200k Housing Association Income)
Parks & Countryside	10,927	(1)	0	(150)	£194k staffing plus £168k NNDR underspend - less golf income, insurance and utilities and pressures
Waste Strategy and Disposal	19,170	0	72	226	£95k Education budget re additional contact centre support AWC, Gamblethorpe income £200k
Waste Operations	3,122	0	8	34	Income shortfall partially offset by savings
Refuse Collection	18,957	111	99	362	£741k staffing pressure less £359k vehicle savings (mainly financing savings)
Environmental Action	11,016	44	20	70	Cleansing of Arena Quarter £50k
Environmental Health	3,647	(9)	12	31	MWC costs
Car Parking	-6,998	(106)	(211)	(528)	£106k staffing savings and additional income
Total	79,230	0	0	(392)	

