



Report of the Director of Resources

Executive Board

Date: 22nd August 2007

Subject: Financial Health Monitoring 2007/08 – Quarter 1 Report

Electoral wards affected:

Specific implications for:

Ethnic minorities

Women

Disabled people

Narrowing the gap

Eligible for call In

Not eligible for call in
(details contained in the report)

Executive Summary

1. The purpose of this report is to inform members of the financial health of the authority after three months of the new financial year in respect of the revenue budget for general fund services and the housing revenue account.
2. The report identifies that a number of council services are continuing to face financial pressures in 2007/08, often reflecting pressures which impacted on the Council's 2006/07 outturn.
3. The net projected shortfall is £6.0m at this early stage in the year and it is crucial that all budget pressures are addressed by directorates who are required to continue to develop and implement action plans to manage identified pressures within available resources.
4. There are projected savings of £4.2m in capital financing costs and additional LABGI income of £1.5m following a Judicial Review of the scheme. It is however recommended that the capital financing savings are transferred to the earmarked reserve set up at the end of 2006/07 to meet future potential pressures, and the additional LABGI income is transferred to contingency to deal with new in year pressures as they arise.
5. Members are asked to note the contents of this report.

1. PURPOSE OF REPORT

- 1.1 This report sets out for the Board the Council's financial health position for 2007/08 after three months of the financial year. The report covers revenue expenditure and income to date compared to the approved budget, the projected year end position and proposed actions to ensure a balanced budget by the year end. The report also highlights the position regarding other key financial indicators, including Council Tax collection and the payment of creditors. A separate report on the Capital Programme is elsewhere on this agenda.

2. BACKGROUND INFORMATION

- 2.1 Members will recall that the net budget for the general fund was set at £505.2m, which provided for a contribution of £4.3m from reserves. As a result, the level of general fund reserves at 31st March 2008 were estimated to be £13.0m.
- 2.2. As reported in the 2006/07 outturn report to Board in June 2007, the net contribution to General Fund reserves was £6.3m in excess of the budget giving a balance carried forward of £23.6m. Taking account of the budgeted usage of reserves of £4.3m, the £0.67m approved by the Board at their meeting on the 4th April 2007 to support a number of one off initiatives, together with other potential liabilities, it is considered that this is a prudent level to ensure that reserves at 31st March 2008 will be capable of covering the estimated financial risk of the authority as assessed using the risk based reserves strategy.
- 2.3 Budget Monitoring is a continuous process throughout the year, and this report reviews the position of the budget after three months and comments on the key issues impacting on the overall achievement of the budget for the current year. However, it should be recognised that the forecasts are based on the position at a relatively early stage of the financial year.

3. MAIN ISSUES – General fund Services

- 3.1 Within Adult Social Services there is a projected overspend of £2.4m, which mainly reflects slippage in delivering some of the budgeted savings as well as some ongoing demographic pressures. The 2007/08 budget assumed savings would be made through transferring some home care provision from the directly provided service to the independent sector. The planned savings will not now be fully achieved, partly due to stability and capacity issues within the independent sector. The learning disability service is experiencing continued demographic pressures in line with national trends. This is impacting on the pooled budget in particular and budgeted efficiencies in the provision of transport are not now projected to be achieved in full. The growth in direct payments, a key performance target, is also presenting some financial pressures.
- 3.2 Within Children's Services a £1m pressure in respect of additional social care fieldwork staff has been met through a detailed review of other budget heads and a proposed £0.5m contribution from a higher than anticipated operating surplus identified by Education Leeds. After providing for this additional demand, Children's Services are currently projecting a net overspend of £1.7m. Key contributory factors include continuing pressures elsewhere within the social care staffing budget as well as a projected overspend on fees to carers and outside placements. The projected overspend mainly reflects increased numbers of children and individually agreed fees.

However these budgets are traditionally volatile and can vary significantly within the year. A further overspend is projected for the Director of Children's Services Unit unless further savings can be achieved in the current financial year through realignment of services across Children's Services. Work is continuing to identify any such possible realignment through more effective and coherent use of resources.

- 3.3 The budget pressures experienced in 2006/07 within the Parks and Countryside service of City Development are projected to continue in 2007/08. These amount to £650k and primarily relate to staffing, materials and transport. In addition a pressure of £400k is projected in respect of PFI and sport trust development costs within the Sport and Active Recreation service. Due to the recent flooding revenue costs of £188k for reactive and repair costs have been identified in respect of highways maintenance. The flooding also caused some damage to highway structures, two libraries, Thwaite Mills and Armley Mills and to various footpaths and the gorge at Roundhay Park. Additional capital spend is likely to be required in respect of this damage. These pressures have been partly offset by £300k following the invocation of penalty clauses in the Street Lighting contract due to the failure to achieve the column implementation programme to the agreed timescales.
- 3.4 At this early stage of the year staffing costs within Environment and Neighbourhoods are projected to overspend by £0.7m reflecting delays in the implementation of budgeted staffing restructures and a variation of £0.3m within Roseville Enterprises which reflects lower than anticipated turnover based on the trading position after three months.
- 3.5 Within former City Services the main areas of concern of £0.4m relate to Streetscene services where the projected outturn position reflects additional expenditure to be incurred on vehicles and waste disposal combined with a projected reduction in the amount of electricity to be generated from the closed landfill site at Gamblethorpe.
- 3.6 The Resources Directorate is projecting an underspend of £0.4m mainly due to additional grant funding from the DWP in respect of local housing allowances. Within Chief Executives additional income from local land charges is projected at £0.3m.
- 3.7 Savings in capital financing costs are projected at £4.2m and following the outcome of a Judicial Review of the LABGI scheme, the government will be making additional payments to eligible authorities for years one and two which will reflect increases in rateable value attributable to business expansion. It is estimated that this will result in £1.5m additional income to the Council. It is proposed that the capital financing savings are transferred to the equal pay reserve and the additional LABGI income is used to bolster the contingency fund. It is proposed that this additional provision within the contingency is used to meet some immediate pressures which will leave some balance to meet any further spending pressures which arise during the year. The immediate pressures are:-
- Provision of £150k for Flood Alleviation. This has been enhanced by £100k by contributions from DEFRA and the Flood Defence Committee.
 - An additional £24k in respect of Youth Service budgets delegated to Area Committees. This will fund the part year costs of providing a minimum allocation of £70k per ward.
 - Additional costs of co – locating business and enterprise with the Chamber of Commerce £45k.

4 SCHOOLS

- 4.1 School reserves stood at £6.1m as at 31st March 2007. This comprised surpluses in primary and special schools and a deficit of £1.6m in the secondary school sector.
- 4.2 Schools which had deficits at the close of 2006/07 and were planning to set a deficit budget for 2007/08 are required to submit an action plan detailing how they intend to achieve a balanced position within three years. These have now been submitted to Education Leeds are currently being evaluated for their viability and will require approval of the Director of Resources in accordance with the agreed arrangements.

5 REVENUE BUDGET MONITORING POSITION - HOUSING REVENUE ACCOUNT (HRA)

- 5.1 After three months of the new financial year, income is projected to exceed the budget by £1.2m, reflecting additional property services income and a significantly improved voids position. This is partly offset by increased staffing costs, negative subsidy and additional management fees payable to the ALMOS by way of incentive payments, especially in relation to voids. An in year surplus of £0.2m is currently forecast which will be added to reserves.
- 5.2 Bad debts and disrepair claim costs continue their downward trend, and savings of £0.3m for the year are projected. This will be reviewed and updated on a quarterly basis.
- 5.3 The projection reflects the re-distribution to the ALMOs of savings generated through a reduction in disrepair claims and bad debt costs in 2006/07, for which a specific provision of £1.0m was made at outturn, as reported to Members in the 2006/07 outturn report.
- 5.4 The working balance brought forward from 2006/07 was £3.7m. It is anticipated that the working balances carried forward into 2007/08 will be £3.7m and that the projected surplus will be used to maintain the working balance and reserves as required.

6 COLLECTION OF LOCAL TAXATION

- 6.1 The level of Council Tax collected at the end of June 2007 is 28.4% of the debit for the year of £226m. This is slightly behind the same period last year and the performance target for the year of 96.5% is being closely monitored.
- 6.2 The collection of non-domestic rates for the first three months is 33.5% of the current net debit of £288.5m, which is 0.6% below the same period last year. Again, the performance target of 98.6% is being closely monitored.

7 PROMPT PAYMENT OF INVOICES

- 7.1 A local target of 92% for paying all undisputed invoices within 30 days of receipt of agreed terms was set for the year. For the period 1st April to 30th June the actual performance was 91.4%, the same as at the end of the first quarter of 2006/07.
- 7.2 The creditor payments function has now been centralised in the Business Support centre based in Belgrave House and it is anticipated that along with the continued development of electronic ordering and invoicing of goods, and expanding the use of purchasing cards, performance will improve.

8 RECOMMENDATION

- 8.1 Members of the Executive Board are asked to
- Note the projected financial position of the authority after three months of the new financial year
 - Agree the treatment of LABGI and capital financing savings and
 - Agree the use of up to £195k to fund new in year pressures being £150k for flood alleviation, £24k for the part year costs of increasing Youth Service budgets delegated to Area Committees, and £45k for the co-location of business and enterprise with the Chamber of Commerce.