

Report of the Chief Officer Financial Services

Report to Executive Board

Date: 21st June 2017

Subject: Financial Health Monitoring 2017/18 – Month 2 (May 2017)

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|--|---|--|
| 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 the Executive Board of the financial health of the authority in respect of both the revenue budget and the Housing Revenue Account for the first two months of the financial year.
2. The 2017/18 financial year is the second year covered by the 2015 Spending Review and again presents significant financial challenges to the Council. The Council to date has managed to achieve considerable savings since 2010 and the budget for 2017/18 requires the Council to deliver a further £64m of savings.
3. The current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions. Whilst the Council continues to make every effort possible to protect the front line delivery of services, it is clear that the position remains challenging.
4. This is the first budget monitoring report of the year, and Executive Board will recall that the 2017/18 general fund revenue budget, as approved by Council provides for a variety of actions to reduce net spend through the delivery of £64m of budget action plans by March 2018. At this early stage of the financial year, it is clear that the majority of these actions are on track to be delivered, however this report highlights a potential overall overspend of £2.9m and measures will be required to be identified and implemented so that a balanced budget position can be delivered.

5. At month 2, the Housing Revenue Account is projecting a balanced budget position.
6. Subsequent to Council agreeing the 2017/18 revenue budget in February 2017 the Council has been notified of additional resources of £14.702m for Better Care funding within Adults and Health and £1.636m of flexible Homelessness Support grant within Resources and Housing. These additional resources require injecting into the 2017/18 revenue budget.

Recommendation

7. (i) Note the projected financial position of the authority;

(ii) Agree the injection of £14.702m of additional Better Care funding into the Adults and Health 2017/18 revenue budget. The proposals in respect of the use of the grant will be submitted to a forthcoming Leeds and Health Wellbeing Board and subsequently reported to a future Executive Board. The Director of Adults and Health has the responsibility for the implementation of the decision.

(iii) Agree the injection of £1.636m of Flexible Homelessness Grant into the Resources and Housing 2017/18 revenue budget and note that the Director of Resources and Housing is responsible for implementing decisions as to the use of the grant.

1. Purpose of this report

- 1.1 This report sets out for the Executive Board the Council's projected financial health position for 2017/18 at month 2.
- 1.2 Budget Monitoring is a continuous process throughout the year, and this report reviews the position of the budget and highlights potential key risks and variations after the first two months of the year.

2. Background information

- 2.1 Executive Board will recall that the net budget for the general fund for 2017/18 was set at £492.7m.
- 2.2 Following the closure of the 2016/17 accounts, an underspend of £2.6m was achieved and this has been added into the Council's general reserves. This contribution to the Council's reserves had not been budgeted for in 2016/17.
- 2.3 The balance of general reserves at the end of March 2016 was £21.6m and when taking into account the budgeted use of £3.5m in 2016/17, and the contribution from the underspend in 2016/17, this leaves a balance at March 2017 of £20.7m.
- 2.4 Financial monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This has again been reinforced through specific project management based support and reporting around the achievement of the key budget actions plans.

- 2.5 This first monitoring report in 2017/18 is intended to highlight any known variations to the approved budget at an early stage in the financial year. A more detailed quarter 1 report, including financial dashboard information for all directorates, will be presented to the July meeting of the Executive Board.
- 2.6 Looking beyond 2017/18 a report is timetabled to be considered at Executive Board and this will provide an update to the medium-term financial strategy. This will take account of the government's 4-year funding settlement, the move to 100% business rate retention, potential increasing funding from local taxation and income, the impact of increasing demand and cost pressures and ultimately what actions and decisions will need to be taken in order to stay within the anticipated financial resources.

3. Main Issues

- 3.1 After two months of the financial year an overspend of £2.9m is projected, as shown in Table 1 below.

Table 1

Summary Position - Financial Year 2017/18

Reporting Period - Month 2

| Directorate | Director | Projected Variation at Month 2 | | | |
|----------------------------|-------------------|--------------------------------|-------------------|----------------|--------------------------|
| | | Staffing | Total Expenditure | Income | Total (under) /overspend |
| | | £000 | £000 | £000 | £000 |
| Adults & Health | Cath Roff | (1,342) | 5,780 | (5,780) | 0 |
| Children & Families | Steve Walker | (100) | 2,900 | 0 | 2,900 |
| City Development | Martin Farrington | (1,094) | 130 | (130) | 0 |
| Resources & Housing | Neil Evans | 433 | 407 | (407) | 0 |
| Communities & Environment | James Rogers | 260 | (140) | 140 | 0 |
| Strategic | Doug Meeson | 0 | 0 | 0 | 0 |
| Total Current Month | | (1,843) | 9,077 | (6,177) | 2,900 |

- 3.2 The major variations are outlined below;
- 3.2.1 Whilst Adults and Health are currently projecting a balanced budget position there is a requirement that their budget should incorporate the receipt of additional Better Care funding. The Government have announced a total of £2.021bn as supplementary funding to the improved Better Care Fund (iBCF) to be spent on social care. This is to be distributed as £1.01bn in 2017/18, £674m in 2018/19 and £337m in 2019/20.

For Leeds the announced funding is:

- 2017/18 £14,702,309
- 2018/19 £ 9,430,235
- 2019/20 £ 4,677,589

This money is intended to fund social care services, for example: care packages for more people, support social care providers, and relieve pressure on the NHS locally e.g. reducing delayed transfers of care. The grant conditions for the iBCF require councils to include this money in the local BCF Plan, working with their NHS colleagues to consider how the funding can be best spent.

Whilst the detailed policy guidance has very recently been issued, a key determinant of the grant relating to the planning requirements of the improved Better Care Fund has still to be issued by Government.

Plans in Leeds are currently being developed and discussions with health partners are ongoing. It is recognised that this money is short-term in nature and reduces year on year and this is helping to inform the best use of the funding.

Since details of the additional grant were received after the determination of the 2017/18 budget for the Council the £14.702m receivable is required to be injected into the Adults and Health revenue budget. Detailed proposals in respect of the use of the grant will be submitted to a forthcoming Leeds and Health Wellbeing Board and subsequently reported to a future Executive Board.

3.2.2 Children's Services – overall at month 2 some significant pressures on the demand-led budgets means that Children's Services are projecting a £2.9m overspend. The main budget pressure is in the demand-led children in care budgets where a variation of £3.3m is projected. Of this £1.9m relates to externally provided residential placements and £1.4m relates to placements with Independent Fostering Agencies (IFAs). Whilst the 2017/18 budget includes an increase of £3.3m to the CLA budget when compared to 2016/17 this increase reflected the position that CLA numbers reduced but not to the level that was assumed in the 2016/17 budget. The current projection is that CLA numbers will be higher than those assumed in the 2017/18 base budget. Meeting budgeted assumptions around numbers of CLA remains the most significant budget challenge that the Directorate faces because numbers can fluctuate for a variety of reasons including demographic pressures and action remains ongoing to mitigate these pressures on the budget. This variation has partially been offset by £0.4m of other savings.

3.2.3 Within the Housing Options service details of the new flexible Homelessness Support Grant were received after Council agreed the 2017/18 revenue budget in February 2017 and as such this resource is required to be injected into the budget. The government has replaced Temporary Accommodation Management Fee (TAMF) with Flexible Homelessness Support Grant (FHSG) from April 2017. TAMF was a £60 per week management fee for temporary accommodation placements made through the private sector. Leeds has an average of 7 placements per night made through the private sector and therefore would have received £23k in TAMF if the funding arrangements had been maintained in 2017/18. FHSG has been calculated on the basis of homeless prevention outcomes and, as Leeds has

achieved a high level of preventions, the allocation for Leeds in 2017/18 has been set at £1.636m and at £1.794m in 2018/19. The government has stated that FHSG will continue in 2019/20 with allocations to be set at some point in 2017/18.

The FHSG allocation represents a significant windfall for the Council and, whilst the government has advised that it expects authorities to use the allocation to tackle homelessness, there is significant scope within this definition. Funding use proposals are currently being drawn up and will be set out for decision as appropriate. The expectation is that the funding will be used to achieve further increases in homeless prevention outcomes, further reductions in temporary accommodation placements and to best assist entrenched rough sleepers with drug and alcohol dependency issues.

3.3 Other Financial Performance

3.3.1 Council Tax

The Council Tax in-year collection rate at the end of April was 10.2% which is in line with the performance in 2016/17. At this early stage the forecast is to achieve the 2017/18 in-year collection target of 96.1% collecting some £318m of income.

3.3.2 Business Rates

The business rates collection rate at the end of April was 11.08% which is 0.32% ahead of the performance in 2016/17. The forecast is to achieve the 2017/18 in-year collection target of 97.7% collecting some £384m of income.

The total rateable value of business properties in Leeds has increased from £915.54m at 1st April to £916.18m at the month end, growth of £0.64m. To calculate Leeds' actual income from business rates this total rateable value is multiplied by the national business rates multiplier (46.6p in the pound). After reliefs and adjustments this amount is then shared between Leeds City Council (49%), West Yorkshire Fire Authority (1%) and Central Government (50%). Following deductions for the Business Rates tariff and to meet the business rates deficit brought forward, Leeds' actual business rates income is projected to be in the region of £142.4m, which is broadly in line with budgeted expectations.

3.3.3 Business Rates Appeals

The opening appeals provisions for 2017/18 is £20.5m which is made up of £18.5m relating to appeals received against the 2010 ratings list and £2m estimated costs in advance of appeals being received against the new 2017 ratings list. Under 50% Business Rates Retention, Leeds' budget is affected by 49% of any appeals provision.

On the 1st April 2017, there were 5,337 appeals outstanding. During April 360 appeals have been settled of which 309 of these have not resulted in changes to rateable values. At 30th April there are 4,979 outstanding appeals in Leeds, with 34.3% of the city's total rateable value currently subject to at least one appeal.

4. Housing Revenue Account (HRA)

4.1 At the end of month 2 the HRA is projecting a balanced position against the 2017/18 Budget.

5. 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 2017/18 was subject to Equality Impact Assessments where appropriate and these can be seen in the papers to Council on 22nd February 2017.

5.3 Council Policies and Best Council Plan

5.3.1 The 2017/18 budget targeted resources towards the Council's policies and priorities as set out in the Best Council Plan. This report comments on the financial performance against this budget, supporting the Best Council ambition to be an efficient and enterprising organisation.

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.

6. Recommendations

6.1 Executive Board are asked to

(i) Note the projected financial position of the authority;

(ii) Agree the injection of £14.702m of additional Better Care funding into the Adults and Health 2017/18 revenue budget. The proposals in respect of the use of the grant will be submitted to a forthcoming Leeds and Health Wellbeing Board and subsequently reported to a future Executive Board. The Director of Adults and Health has the responsibility for the implementation of the decision.

(iii) Agree the injection of £1.636m of Flexible Homelessness Grant into the Resources and Housing 2017/18 revenue budget and note that the Director of Resources and Housing is responsible for implementing decisions as to the use of the grant.

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.