

Report of the Chief Officer Financial Services

Report to Executive Board

Date: 21st June 2017

Subject: Financial Performance - Outturn Financial year ended 31st March 2017

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	<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 final outturn for the financial year 2016/17. The pre-audited accounts will be presented to the Corporate Governance and Audit Committee at its meeting on the 23rd June 2017.
2. As set out below, the final position on the General Fund shows an underspend of £2.6m after the creation of a number of earmarked reserves. This is an increase in the underspend of £0.6m when compared to the provisional outturn position that was received at Executive Board in April. The budget assumed a use of general reserve at £3.5m, however the final outturn underspend results in an actual use of reserves of only £0.9m
3. The Housing Revenue Account outturn reflects a surplus of £3.6m.
4. As at April 2015 General Reserve were £21.6m. As per table 3 at paragraph 5.2 the amount of General Reserve as at 31st March 2017 is £20.7m

Recommendations

5. Members of the Executive Board are asked to;
 - a. Note the outturn position for 2016/17 and to agree to the creation of earmarked reserves as detailed in paragraphs 3.5 and 5.5 and delegate their release to the Chief Officer Financial Services.

- b. Note that the Chief Officer Financial Services will be responsible for the implementation of these actions following the 'call in' period.

1. Purpose of this report

- 1.1 This report sets out for the Board the Council's financial outturn position for 2016/17 for both revenue and capital and includes the Housing Revenue Account and spending on schools.
- 1.2 The report also highlights the position regarding other key financial health indicators including Council Tax and Business Rates collection statistics, sundry income, reserves and the prompt payment of creditors.
- 1.3 It should be noted that in accordance with proper accounting practice, any significant event which occurs prior to the audit sign-off of the accounts in September 2017, could impact on the Council's final published outturn position and hence the level of reserves. This is known as a post balance sheet event and should such an event occur, it will be reported back to this Board at the earliest opportunity.

2. Main Issues

- 2.1 The 2016/17 general fund revenue outturn position after the creation and transfer of a number of earmarked reserves as detailed in paragraph 5.5 is an underspend of £2.6m.

Table 1 - summary outturn position

Directorate	Director	(Under) / Over spend for the year			
		Staffing	Total Expenditure	Income	Total (under) / overspend
		£000	£000	£000	£000
Adult Social Care	Cath Roff	(1,151)	2,060	(2,060)	0
Children's Services	Steve Walker	707	17,469	(9,484)	7,985
City Development	Martin Farrington	(721)	6,479	(12,929)	(6,450)
Environment & Housing	Neil Evans	(1,833)	8,204	(9,510)	(1,306)
Strategy & Resources	Alan Gay	(1,456)	(1,489)	1,158	(331)
Citizens & Communities	James Rogers	386	1,821	(1,741)	78
Public Health	Dr Ian Cameron	(321)	1,210	(1,262)	(52)
Civic Enterprise Leeds	Julie Meakin	490	997	(1,895)	(898)
Strategic & Central	Alan Gay	(480)	(4,211)	2,548	(1,663)
Total		(4,379)	32,540	(35,175)	(2,637)

2.2 Full details of the directorate variations, budget action plans and risk areas for the year can be found in the financial dashboards attached at Appendix 1. The main directorate issues contributing toward the outturn position are as follows:-

2.3 **Adult Social Care** - the directorate has achieved a balanced position at the financial year-end. Staffing savings across all services have delivered a £1.2m saving. This reflects a reduction in staffing numbers within the Community Support Service and general vacancies, partly offset by slippage relating to the Better Lives programme within older peoples residential and day care services.

Passenger Transport costs overspent by £0.7m where costs for clients have come in higher than budgeted. This is primarily due to increased level of support required for clients (along with an equal pay resolution) rather than increased demand for the service.

Income is slightly higher than budgeted through increased Service User contributions £0.2m and the directorate will be using £1m less of earmarked reserves than was assumed in the original budget.

Other variations across the net £200m budget total (£0.3m)

The cost of community care packages is consistent with the budget despite expenditure on the learning disability pooled budget exceeding the budget provision. Savings in Direct Payments mitigated the position.

2.4 **Children's Services** – at outturn the directorate overspent by £7.98m.

As reported during the year the main budget pressures faced by the directorate were on demand-led budgets, particularly Children Looked After (CLA) and transport. Together these accounted for £5.6m of the overspend after allowing for the release of £2.9m from the demand and demography reserve. The actual release from reserves was £0.4m lower than previously projected and accounts for the increase in the overall directorate overspend from that reported for the provisional outturn position. Lower partner funding than budgeted for accounted for £1.6m of the overspend. There were net other variances of £0.8m on all other budgets with an overspend on staffing accounting for £0.7m.

At outturn there are an additional 34 children looked after in external residential placements and with independent fostering agencies (IFAs) than the 2016/17 budget provided for. This has resulted in a £3.9m variation against the budget after allowing for the release from reserves of £2.3m. Other net variations on the CLA budget were £0.4m, mainly accounted for by an increase in leaving care costs. ER placements reduced during the first half of 2016/17 but steadily increased during the second part of the year. The number of children with IFAs reduced throughout the year but did not reduce to the level assumed in the 2016/17 budget.

The home to school and home to college transport budget overspent by £1.3m, after allowing for the release of reserves of £0.6m, and was a result of a rise in the number of young people with complex needs, a rise in the transport requirements outside the city and an increase in private hire rates.

Staff costs were £0.7m over budget. The 2016/17 budget included significant staff savings and these were largely achieved although there was an overspend on agency and overtime costs.

A shortfall in partner funding for family services amounted to £1.6m. This was budgeted income for Children's Centres in 2016/17 but the funding was actually received in 2015/16.

The outturn position also includes the carry forward to 2017/18 of all the £7.3m new DfE Innovations and Partners in Practice funding received in March 2017. This will enable the impact of the additional investment in services to be maximised over the next three years.

It has previously been reported that pressures have emerged during the year on the Dedicated Schools Grant in relation to Social Emotional and Mental Health provision, Funding for Inclusion numbers and the Central Early Years expenditure which totals £4.2m, slightly lower than previously projected. Other variations of £0.5m contribute towards reducing the overall outturn deficit on the DSG to £3.63m. This will be carried forward to 2017/18 and this deficit is included within the total schools reserves shown in Table 3.

2.5 City Development – The overall outturn position for 2016/17 is an under spend of £6.4m. This underspend is mainly due to a number of large one off items which include;

- £2.78m income from the PFI Street Lighting contract share sale;
- £1.79m use of items from the balance sheet to support the General Reserve;
- £930k of accrued income from Bridgewater Place, and
- £991k of additional capitalisation of Highways works.

2.6 Environment & Housing – At outturn the directorate position is an under spend of £1.3m against its £53m net managed budget. Within this overall figure, the waste management budget underspent by £1.0m, of which £0.45m relates to lower business rates costs of the RERF. Recycling processing costs are lower by £0.3m as a result of increases in the market prices of recycled material. Operational running costs of the service were £0.26m under the budget.

In car parking, staffing savings and additional income delivered a saving of £0.4m and in Community Safety there is an underspend of £0.3m due to a combination of staffing savings and additional income from the West Yorkshire Police and Crime Commissioner and the Ministry of Justice.

Environmental Action & Health have a £0.6m underspend mainly attributed to staffing savings and additional pest control income. Housing support also delivered a £0.1m underspend, again due to staffing savings.

Collectively these savings have enabled the directorate to both manage the directorate wide staffing efficiency target (£1m) and offset other net pressures within the directorate £0.1m.

2.7 **Public Health** –The 2016/17 budget reflected the reduction in government grant income of £1.1m and an associated reduction in spend on public health services.

The budget also assumed that public health would need to borrow £1.3m of reserves to fund spend on council led public health services. At outturn due to underspends of £0.8m, the actual amount borrowed was only £0.5m. This underspend and the reduced borrowing requirement net off and have no effect on the public health bottom line variation.

Supporting people services, which operate outside of the public health grant ring-fence, outturned with a small saving of £0.05m.

2.8 **Strategy & Resources** – In total the Directorate underspent by £0.3m. The Projects, Programmes and Procurement Unit overspent by £0.17m which has arisen from the NGT and Health Transformation projects not progressing (£0.7m) although this has been offset by corresponding staff savings. Savings in other support services divisions totalled £0.5m.

2.9 **Citizens & Communities** – The final outturn position is a small overspend of £0.08m against the £29m budget. This overspend is in line with previous forecasts and is mainly attributable to an overspend in Customer Access of £0.38m which is partially offset by savings in Elections of £0.25m. Other minor variations total a saving of £0.05m.

2.10 **Civic Enterprise Leeds (CEL)** – the overall outturn position reflects an underspend of £0.9m and is largely explained by the additional £1.0m saving resulting from vacant posts within Shared Services.

Facilities Management and Commercial Services achieved a balanced position. Within the catering service a variance of £0.2m arose from the impact of the loss of school contracts although this was offset by increased surpluses of (£0.2m) on Cleaning and Fleet.

There was a £0.1m overspend on the Corporate Property Management function due to additional building maintenance expenditure incurred on void properties.

2.11 **Strategic & Central budgets** - overall, the strategic & central budgets underspent by £1.7m. There are a number of key variations within this figure.

- The business rates levy to the Leeds City region pool is £1.2m compared to the budgeted sum of £3m.
- Savings of £2.8m from the additional capitalisation of eligible spend in general fund and school budgets.
- The strategic budget also recognises that the £1.9m corporate procurement savings and PFI contract savings have been achieved through Directorate budgets.
- New Homes Bonus is a funding mechanism rewarding councils that increase the number of occupied homes within their areas. The reward effectively

doubles the amount of Council Tax for every new home built or empty home brought back into use, and was initially payable for six years. The 2016/17 budget assumed some £19.2m in respect of New Homes Bonus, however reforms introduced in the 2017 Spring Budget reduced the number of year's payable and introduced a growth baseline. The outturn position recognises a shortfall of £4.76m, of which £0.26m relates to performance and £4.5m arises as a result of these changes to the scheme.

- Early Leavers Initiative – £2.7m of severance costs have been funded from the flexible use of capital receipts in line with the policy approved at full Council in March 2017.
- There was a reduction in level of section 278 income receivable of approximately £2.3m and this reflected lower development activity than was anticipated.
- Debt – the overspend of £1.1m was due to the conversion of short-term debt to long-term debt in order to take advantage of low long-term interest rates.
- An underspend of £9.3m in the MRP charge to revenue is due to a revision in the calculation of the charge. This review had identified that there was overprovision in previous years.
- Staffing cost variations of £0.1m reflect the a additional cost of implementing Leeds City Council's minimum pay rate on January 1st 2017 and a reduction in unfunded pension costs of £0.5m.
- Creation of £1.2m of new earmarked reserves which are further explained in paragraph 5.5 and the transfer of £1m of the Street Lighting contract share income to the capital reserve to be used to fund the 2017/18 base budget.
- Joint Committees. A £0.1m overspend for the West Yorkshire Coroners' services.
- Other variations amount to £0.2m

3. Housing Revenue Account (HRA)

- 3.1. Following finalisation of the HRA the outturn for the year is a surplus of £3.6m when compared against the 2016/17 budget.
- 3.2. The budget for disrepair was overspent by £0.7m. This was largely as a result of a combination of resolving an increased number of disrepair cases and by taking a more pro-active approach to avoid expensive claims in the future.
- 3.3. An increased level of Right to Buy resulted in lower rental income as stock numbers were lower than budgeted for although this was partially offset by lower void levels. The net variation was £0.2m.
- 3.4. The variations identified above have been offset by the following savings:

- Income other than rents was £1.2m higher than budgeted.
- Additional income of £0.6m was received through the 'Gainshare' arrangements with the Council's external maintenance contractors whereby the Council shares in the benefit of external contract costs being less than the initial target cost.
- An increase in Right To Buy (RTB) sales has generated additional fee income of £0.2m.
- External funding contributions for a number of initiatives such as Biomass, Solar Panel, Telecoms and secondments to external organisations have generated £0.3m more than budgeted.
- Income from miscellaneous streams such as insurance refunds, property income and charges for paralegal costs and additional leasehold income have generated £0.2m variation against budget
- This additional income has offset reduced income realised from the capitalisation of salaries. This was due to the service carrying a number of vacant posts in 2016/17.
- Against a budget of £43.5m expenditure on maintaining and repairing the Council's housing stock was £0.4m underspent.
- Savings of £0.7m on employees arose due to posts being held vacant pending the implementation of new structures.
- Net savings of £0.8m have been realised in relation to Supplies and Services. These include ICT budgets (£0.2m), office equipment (£0.1m), tenant mobility (£0.1m), reduced transaction charges (£0.1m), Changing the Workplace (£0.1m) and a range of other minor variations totalling (£0.2m).
- A reduction in charges for services commissioned from other Council services has resulted in a saving of £0.5m. These include services provided by legal, internal audit, community safety and environmental services.
- Other key savings include a reduction in the contribution to the provision for doubtful debts £0.3m, payments to external organisations £0.1m, transport costs £0.1m along with minor variations on remaining budget headings totalling £0.4m.
- The variation against budget on the Capital Programme of £1.9m expenditure on the Environmental Improvement Programme and Sheltered Housing schemes has been funded through the use of earmarked reserves. This contribution is reflected in the appropriation account.
- The Capital charges overspend of £1.6m is largely due to a revision to the timetable for the capital contribution from the Council to the contractor delivering the PFI contracts in Little London, Beeston Hill and Holbeck. The

£1.6m repayment of the PFI is offset by adjustments within the PFI Unitary Charge.

3.5. The surplus on the Housing Revenue Account is £3.61m. It is recommended that earmarked reserves are created for;

- £0.26m to fund costs of scanning Housing Management paper files. This will facilitate the Housing Service exiting the current Housing offices in order to provide the service from Community Hubs. The hubs will provide accessible and integrated services, bringing together existing one-stop shops, libraries and housing offices thereby realising capital receipts in excess of £2m.
- b) £0.35m to fund anticipated costs of 'Changing the Workplace'. The balance of the in year surplus of £3m will be transferred to the HRA Capital Reserve to fund expenditure on multi-storey dwellings.

4. Schools

4.1 The 2016/17 outturn position for schools is shown in table 2 below;

Table 2

4.2

Outturn	£m
Schools Reserves	
Balance Brought Forward	28.8
Net Contribution from Reserves	(8.2)
Balance Carried Forward	20.6
Extended Services & Partnerships	
Balance Brought Forward	10.2
Net Contribution from Reserves	(1.2)
Balance Carried Forward	9.0
Central Schools Block Dedicated Schools Grant	
Surplus Brought Forward	3.7
Contribution to Life Ready for Learning	(2.3)
2016/17 in year overspend	(5.0)
Deficit Balance Carried Forward	(3.6)

4.3 As schools are funded from the Dedicated Schools Grant (DSG) their reserves are ring fenced and must be carried forward. At 31st March 2017, mainstream school reserves stand at £20.6m.

In accordance with previous decisions, the development costs of School PFI and BSF funded schemes are initially met by borrowing from the overall level of school reserves which is then repaid over a period of time and at the close of the year £0.6m was still outstanding. In addition, there is outstanding borrowing against

school reserves for school VER costs totalling £0.7m together with a further £4.0m to support early intervention and preventative services in Children's Services in 2013/14.

After netting the above items from the £20.6m, the net mainstream schools reserves position totalled £15.3m as at 31st March 2017. There is also a further ring-fenced school reserve of £1.8m specifically relating to the carry forward of in year PFI scheme balances, giving overall school reserves of £17.1m as at 31st March 2017.

4.4 Extended Services & Partnerships reserves amount to £9.0m as at 31st March 2017. These include balances held by AIPs and Clusters.

4.5 At the start of 2016/17 the ring fenced DSG reserve totalled £3.7m. Of this Schools Forum agreed to use £2.3m in 2016/17 to fund A Life Ready For Learning in Children and Families. The balance of the reserves have helped reduce the in-year overspend. During 2016/17 there has been an overall overspend on DSG services of £5m, mainly in the High Needs block. This is largely due to increasing numbers of students and the increasing complexity of cases requiring additional top-up payments (£2.5m). In addition, place funding is now required for Wellspring (£1.0m) and there have been additional costs for deficit SILC balance (£0.7m). In total a deficit balance of £3.6m will be carried forward to 2017/18 after allowing for the unspent reserves brought forward from 2015/16. Schools Forum approval to the deficit being carried forward will be sought at the meeting on the 22nd June. Schools Forum have been consulted on options to balance the DSG in 2017/18 and to repay the deficit over the medium term. The Children and Families Directorate has also commenced a review of the High Needs Block which will include looking at options to address the pressures and the deficit DSG balance..

5.0 Reserves

5.1 A full statement of all Council reserves can be found at Appendix 2. A summary of the reserves is shown in table 3 below;

Table 3

Reserves	Balance at 31.3.16 £m	Transfer to/(from) £m	Balance at 31.3.17 £m
General Fund:			
General reserve	21.6	(0.9)	20.7
Earmarked reserves	29.6	(11.6)	18.0
Ring-fenced & grant reserves	6.7	4.3	11.0
Total	57.9	(8.2)	48.7
Schools			
Ring-fenced reserves	38.1	(15.6)	22.5
Housing Revenue Account:			
General reserve	7.3	(0.7)	6.6
Earmarked reserves	62.5	(10.6)	51.9
Total	69.8	(11.3)	58.5

5.2 General Reserve

5.3 Table 4 below provides an explanation of the movement in the General Reserve;

5.4 *Table 4*

General Fund Reserve	£m
Opening Balance 1st April 2016	21.6
Budgeted usage	(3.5)
In-year underspend	2.6
Closing Balance 31st March 2017	20.7

5.5 Creation of New Earmarked Reserves

- Communities Innovations Fund £80k. This reserve is required to fund work that is committed with the Third Sector, primarily to support activities that seek to deliver financial sustainability within the sector by maximising external funding.
- Adult Social Care safeguarding reserve £94k. To carry forward the balance of partner contributions relating to adults safeguarding.
- Invest to Save Reserve £1m. This proposal is to create an invest to save reserve to enable Directorates to develop projects / schemes which will generate future revenue savings. Details of how the fund will operate are yet to be finalised, but it is intended that some of the savings realised should be recycled to back to the fund so that it is sustainable on an ongoing basis to resource future projects.
- In April 2017 Executive Board agreed to the creation of a reserve for Armed Forces Day £30k.

6. Capital Programme

6.1 The actual capital expenditure for General Fund and HRA in 2016/17 is £392.9m, an underspend of £8.8m or a 1.4% variation against the February 2017 Capital Programme projected outturn

6.2 General Fund

6.3 The following table shows the in-year actual General Fund capital expenditure against the estimated level of capital expenditure:

General Fund	Feb 17	Apr 17	Variation	
	Estimate	Outturn	£m	%
	£m	£m	£m	%
City Development	162,415.5	161,081.7	(1,333.8)	(0.8%)
Children's Services	67,369.9	65,907.9	(1,462.0)	(2.2%)
Environment & Housing	30,546.5	25,047.5	(5,499.0)	(18.0%)
Adult Services	1,866.0	2,092.8	226.8	12.2%
Strategy and Resources	42,228.3	46,182.9	3,954.6	9.4%
Total Spend	304,426.2	300,312.8	(4,113.4)	(1.4%)
Financed by				
General Fund Borrowing	189533.4	180018.0	(9,515.4)	(5.0%)
General Fund Specific Grants and Contributions	114892.8	120294.8	5,402.0	4.7%
Total Funding	304426.2	300312.8	(4,113.4)	(1.4%)

6.4 A full breakdown of the net variations is detailed in Appendix 3. Comments are also provided for schemes that have a material variation of greater than +/-£100k.

6.5 The general fund borrowing variation does not have a material effect on the treasury outturn position. The treasury outturn position is presented as a separate report to this Executive Board.

6.6 The General Fund capital programme delivered £300m of expenditure including major works on our Highways programme, Flood Alleviation, City Cycle Connect, Kirkstall Forge Rail Growth, Kirkgate Market Strategy, Change in the Workplace, Learning Places programme, Strategic Investment Fund, provision of adaptations grants, vehicle replacement programme underpinning the council's emissions reduction programme and essential technology and customer access programmes.

6.7 Housing Revenue Account

6.8 The following table shows the in-year actual Housing Revenue expenditure against estimate:

HRA	Feb 17	Apr 17	Variation	
	Estimate	Outturn	£000s	%
	£000s	£000s	£000s	%
Council Housing Growth Programme	17,614.7	16,030.1	(1,584.6)	(9.0%)
Housing Leeds Council House Programme	77,000.0	73,982.8	(3,017.2)	(3.9%)
BITMO Council House Programme	2,706.3	2,570.1	(136.2)	(5.0%)
Total Spend	97,321.0	92,583.0	(4,738)	(4.9%)
Financed by				
HRA Self-Financing	83273.9	77315.9	(5,958)	(7.2%)
HRA Capital Receipts RTBs	7723.4	9895.8	2,172.4	28.1%
HRA Specific Grants and Contributions	6323.7	5371.3	(952.4)	(15.1%)
Total Funding	97321.0	92583.0	(4,738)	(4.9%)

6.9 Capital Programme Resources

6.10 The following table details the overall capital financing position for the Council:

	Feb 17 Estimate	Apr 17 Outturn	Variation £m	
Net Capital Spend	401.7	392.9	(8.8)	(2.2%)
Financed by				
General Fund Borrowing	189.5	180.0	(9.5)	(5.0%)
General Fund Specific Grants and Contributions	114.9	120.3	5.4	4.7%
General Fund Capital Receipts	0	0	0	0%
HRA Self-Financing	83.3	77.3	(6.0)	(7.2%)
HRA Capital Receipts RTBs	7.7	9.9	2.2	28.6%
HRA Specific Grants and Contributions	6.3	5.4	(0.9)	(14.3%)
Total Funding	401.7	392.9	(8.8)	(2.2%)

6.11 Capital receipts of £3m have been utilised in 2016/17 as a funding source for general fund expenditure, primarily to make use of the new flexibility to treat transformational revenue expenditure as capital expenditure funded by capital receipts. In line with existing accounting policy £2.5m of receipts have been utilised to fund PFI liabilities and £16.3m have been used to repay debt, and borrowing of £2.9m has been undertaken in lieu of section 278 contributions.

6.12 HRA Council Housing Growth Programme, Housing Leeds and BITMO have utilised £77.3m of self-financing funding, £5.4m of external contributions and have utilised £9.9m of Right to Buy receipts.

6.13 The net debt of the Council as at 31st March 2017 is £1,809m. Further details of this and the debt financing costs will be presented in the 2016/17 Outturn Treasury Management report to this Executive Board.

7. Other Financial Performance.

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

	2010/11 Leeds Actual	2011/12 Leeds Actual	2012/13 Leeds Actual	2013/14 Leeds Actual	2014/15 Leeds Actual	2015/16 Leeds Actual	2016/17 Leeds Actual
Council tax collection	96.7%	96.6%	96.6%	95.7%	95.7%	95.9%	96.1%
Business Rates	97.9%	97.5%	97.6%	97.1%	97.3%	97.8%	97.5%

7.2 Following the introduction of the Council Tax support scheme in 2013/14 a 19% contribution scheme was implemented for working age claimants and this was increased to 26% for 2014/15 but was then set at 25% for 2015/16 and 2016/17. The collection position at the end of March was as follows:

- Council tax in-year collection rate – 96.1% (95.9% last year). The in-year collection rate target for the current year was 95.9%. £303.9m has been collected in respect of 2016/17 bills, an increase of £16.4m compared to the previous year.
- Collection rate for those affected by Council Tax Support scheme – 73.9% (71.7% last year)
- Collection rate for those previously getting 100% Council Tax benefit – 64.3% (63.6% last year)
- The collection of non-domestic rates for the year is 97.54% of the current net debit of £389.8m. This represents a decrease of 0.3% in comparison to 2015/16.
- Discretionary Business Rate Relief Scheme – against a budget of £500k in 2016/17 some £323k of local discounts were approved under the scheme to support the creation of employment and economic growth and to increase the business rates base

8. **Prompt Payment of Creditors**

8.1 The prompt payment result at the year-end was 91.79% of undisputed invoices processed within 30 days. This was against a target of 92%.

9. **Corporate Considerations**

9.1 Consultation and Engagement - This is a factual report and is not subject to consultation.

9.2 Equality and Diversity / Cohesion and Integration - The Council's revenue budget for 2016/17 was subject to Equality Impact Assessments where appropriate and these can be seen in the papers to Council on 24th February 2016

9.3 Council Policies and Best Council Plan - The 2016/17 budget targeted resources towards the Council's policies and priorities. This report comments on the financial performance against this budget in support of our Best Council ambition to be an efficient and enterprising organisation.

9.4 Resources and Value for Money -

9.5 This is a financial report and all financial implications are detailed in the main body of the report.

9.6 **Legal Implications, Access to Information and Call In**

9.7 There are no legal implications arising from this report.

9.8 **Risk Management**

9.9 Budget management and monitoring is 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 and key income budgets. To reinforce this risk-based approach, specific project management based support and reporting around the achievement of the key budget actions plans was put in place for 2016/17.

10. **Recommendations**

10.1 Members of the Executive Board are asked to;

10.2 Note the outturn position for 2016/17 and to agree to the creation of earmarked reserves as detailed in paragraphs 3.5 and 5.5 and delegate their release to the Chief Officer Financial Services.

10.3 Note that the Chief Officer Financial Services will be responsible for the implementation of these actions following the 'call in' period.

11. **Background Documents¹**

11.1 There are no background documents relating to this report

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 2016/17 FINANCIAL YEAR
FINANCIAL DASHBOARD - OUTTURN (APRIL TO MARCH)**

Appendix 1

Overall - At outturn the Directorate is reporting an overspend of £7.98m. This is an increase of £0.33m on the projected outturn position of £7.65m. Overall the outturn position was as expected with the major variances in line with previous reports. The increase in the overspend is because the use of the demand and demography reserve to help offset the pressure on transport costs has been reduced by £0.38m to that assumed in the projected outturn position. This does mean that the £0.38m will be available as a demand and demography reserve in 2017/18. The outturn position also includes the carry forward to 2017/18 of all the £7.3m new DfE Innovations funding that was received in March 2017. This will enable the impact of the additional investment in services to be maximised over the next three years.

CLA Obsession - at outturn, the directorate is looking after an additional 34 looked after children in External Residential (ER) placements and with Independent Fostering Agencies (IFA) than the 2016/17 budget provides for and this has resulted in a £6.2m pressure around CLA demand budgets. This is partially offset by the release of £2.3m from the demand and demography reserve. There are currently 1,245 CLA children (decrease of 1 from P11); this includes 56 with ER and 195 with IFA's. There is a £0.7m pressure on in-house fostering but this is off-set by £-1.2m additional income on adoption. Overall the 2016/17 CLA budget supported 1,170 placements which includes provision for 36 ER and 181 IFA placements.

Staffing - Outturn for staffing is an overspend by £0.7m, the same as was projected and reported at P11.

DfE Innovations Funding - There was a pressure of £0.9m within the existing DfE Innovations 16/17 funding.

Transport - The home to school and home to college transport budget has been under significant pressure due to a rise in the number of young people with complex needs, a rise in the transport requirements outside the city and an increase in private hire rates. The actual overspend is £1.3m, which is net of the appropriation of £0.6m from the specific demand & demography earmarked reserve.

Other Income - The new Innovations & Partners in Practise bid has now been approved and will provide additional funding of £9.6m to be spent over three years. A total of £7.3m has been now received in 2016/17 and all this funding is carried forward to 2017/18. There is a net £1.6m pressure from a reduced level of funding supporting Children's Centres.

Dedicated Schools Grant (DSG) Pressure - Pressures emerged during the year in relation to the Social Emotional and Mental Health provision, funding for Inclusion numbers and central early years expenditure which totalled £4.161m; a £0.851m reduction from P11. There is a £0.53m credit on the schools de-delegated budget taking the overall outturn deficit on the Dedicated Schools Grant to £3.631m. This will be carried forward to 2017/18.

Appropriation - The position reflects the carry-forward of £9.9m of income; including £7.3m DfE Partners in Practise income for Re-imagining Child Welfare Services for the 21st century; £1.268m Health Innovations income and £0.2m DfE High Needs Strategic Planning fund.

Budget Management - net variations against the approved budget

	Expenditure Budget	Income Budget	Latest Estimate	PROJECTED VARIANCES										Total (under) / overspend	
				Staffing	Premises	Supplies & Services	Transport	Internal Charges	External Providers	Transfer Payments	Capital	Appropriation	Total Expenditure		Income
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Demand Led Budgets:															
External and other Residential Placements	7,002	(2,835)	4,167						4,791			(2,293)	2,498	(34)	2,464
Independent Fostering Agencies	7,613	0	7,613						1,372				1,372		1,372
In House Fostering, Adoption, SGO and RO	21,539	(75)	21,464						710				710	(1,203)	(493)
SEN Outside Placements	4,857	(4,857)	0										660	(660)	0
Leaving Care	5,052	(1,160)	3,892						1,403				1,403	(479)	924
Transport	5,210	0	5,210				1,192	748				(620)	1,320		1,320
Sub total Demand Led Budgets	51,273	(8,927)	42,346	0	0	0	1,192	748	8,936	0	0	(2,913)	7,963	(2,376)	5,587
Partner Funding															
Schools Forum(A Life Ready For Learning)	0	(3,380)	(3,380)									1,033	1,033		1,033
Partner Funding of Family Services		(1,600)	(1,600)										0	1,600	1,600
Sub total Partner Funding	0	(4,980)	(4,980)	0	0	0	0	0	0	0	0	1,033	1,033	1,600	2,633
Other Budgets															
Partnership, Development & Business Support	14,509	(1,661)	12,848	1,115	10	(87)	(7)	32	(94)	2		1,323	2,294	(1,695)	599
Learning, Skills & Universal Services	130,445	(113,201)	17,244	(365)	(319)	(116)	49	17	(2,358)	942		436	(1,714)	1,671	(43)
Safeguarding, Targeted & Specialist Services	75,618	(20,623)	54,995	218	(31)	559	243	66	(401)	(212)		7,489	7,931	(8,663)	(732)
Central Overheads	8,809	(11,753)	(2,944)	(261)				21				202	(38)	(21)	(59)
Sub total Other Budgets	229,381	(147,238)	82,143	707	(340)	356	285	136	(2,853)	732	0	9,450	8,473	(8,708)	(235)
Total	280,654	(161,145)	119,509	707	(340)	356	1,477	884	6,083	732	0	7,570	17,469	(9,484)	7,985

Key Budget Action Plans and Budget Variations:		Lead Officer	Additional Comments	Action Plan Value	Forecast Variation	
A. Significant Variations				RAG	£m	£m
	Children Looked After	Steve Walker	Pressure on CLA demand led budgets (External Residential placements and Independent Fostering Agencies) partly offset by additional income from adoption. This is net of £2.3m from the demand and demography reserve.	R		3.80
	Passenger Transport	Sue Rumbold	Increased numbers of children requiring education outside the city, increased complexity of need and an increase in private hire rates, net of £0.6m from the demand and demography reserve.	R		1.30
	Income - DSG	Steve Walker	The outturn position includes a £0.75m shortfall against the budgeted income.	R		0.75
B. Key Budget Action plans (BAP's)						
A1	Securing additional income from Schools Forum	CSLT	£3.4m of funding per academic year provisionally agreed subject to delivery of activity and funds being available from DSG. School Forum in October has now approved this funding.	G	2.40	0.00
A2	Additional Funding For Children's Centres	CSLT	The additional funding originally budgeted for has not been received in 2016/17.	R	1.60	1.60
C1	Reconfigure services to young people at risk of becoming NEET	Andrea Richardson	IAG contract was extended to July 2016. Some existing provider staff subject to TUPE.	A	1.20	0.25
E1/E2/E4	Staff savings	Sue Rumbold	Reduction in posts/additional trading opportunities and ELIs. Not all the staff savings assumed in the budget were achieved.	A	1.40	0.70
E5	Reduce net cost of Learning For life managed Children's Centres Childcare.	Andrea Richardson	Ensure childcare income generated is reflected in childcare staffing levels	A	0.50	0.40
A3	Improvement partners	Steve Walker	Maximise income from supporting other LA's. Work underway with a number of LAs, however, there will be a £0.4m shortfall against the budget.	G	0.50	0.40
A4	Adel Beck	Francis N Jie	Maximise income from selling to other LA's. Rates revised for 16-17 to recover this additional income subject to occupancy levels being achieved.	G	0.40	(0.10)
E3	Impact of residential review on overtime costs	Steve Walker	Running cost efficiencies following closure of Pinfolds and Bodmin. Linked to the overall pay strategy for the directorate.	G	0.40	0.00
	Various other budget savings (10)	All CO's	Including reconfiguration of Targeted Services, a review of assets, additional trading with schools, additional DFE funding for adoption services; principally inter-agency fee, reviewing non Statutory costs etc.	G	2.29	(1.12)
Children's Services Directorate - Forecast Variation						7.98

Description		Actual Balance 31st March 2016	Actual Transfers To & From Reserve to Date	Balance Outturn	Reason for the Reserve
		£k	£k	£k	
GENERAL FUND		(21,560)	814	(20,746)	
Adults & Health	S256 funding for health inequalities	(3,000)	(615)	(3,615)	Specific funding from Leeds South and East CCG for tackling health inequalities. Spend projected each year up to and incl 2019/20
Adults & Health	Health and Social Care (CCG)	(12,286)	10,295	(1,991)	To fund Health and Social Care priorities
Adults & Health	Safeguarding Adults	0	(94)	(94)	Independent Safeguarding Board - c/f of partner contributions
Children & Families	Health Innovations	(574)	(674)	(1,248)	Monies given by Health Service for a number of joint initiatives around commissioning & children's centres
Children & Families	Safeguarding (Children's)	(117)	(84)	(201)	Independent Safeguarding Board - c/f of partner contributions to fund serious case reviews
City Development	HS2	(156)		(156)	To support the costs of developing and progressing master planning for the Southbank, including HS2 planning.
Communities & Environment	Casino License	(597)	162	(435)	Reserve for creation of Social inclusion fund, as per license bid and to fund LCC inclusion teams.
Communities & Environment	Economic, Social and Environmental Wellbeing fund	(497)	148	(349)	C/f balances on the wellbeing budgets of Community Committees.
Communities & Environment	Parks Special Project	(81)		(81)	To cover cost of repairing fire damage at Temple Newsam Home farm. (To be used on Capital scheme)
Communities & Environment	Communities Innovation Fund	0	(80)	(80)	Fund work with 3rd sector to develop future financial sustainability in the sector
Communities & Environment	Immigration Advice reserve	(60)		(60)	Fund to assist Chapeltown Citizens Advice Bureau provide immigration advice to clients
Communities & Environment	Information Centre	(170)	170	0	To fund Customer Hub developments; Used in 16/17
Resources & Housing	Homelessness Prevention Fund	(120)		(120)	Homelessness prevention - planned to use to fund £40k for next 3 years
Resources & Housing	Business Transformation Reserve	(48)		(48)	Siebel review (system of customer facing communication etc)
Resources & Housing	Lord Mayor	(14)	(21)	(35)	Balance of budget carried forward
Resources & Housing	Armed Forces Day	0	(30)	(30)	Funding for Armed Forces Day 2017
Resources & Housing	Members club	(8)		(8)	Surplus on the members club.
Strategic	Capital reserve	(5,756)	2,384	(3,372)	Directorate contributions towards borrowing costs of capital schemes. Contributions received over life of asset and released back to revenue to cover debt costs over life of loan. Includes school contributions for Equal Pay.
Strategic	General Insurance Reserve	(763)	(1,896)	(2,659)	Additional £1m contributed as per 16/17 budget+ £896k additional following review of insurance provisions
Strategic	ELI Reserve	(2,000)		(2,000)	Reserve c/f to support 17/18 base; ELI severance now funded by capital receipts in line with Council agreed policy
Strategic	Invest to Save	0	(1,000)	(1,000)	Fund to get projects off the ground that will generate future revenue savings
Strategic	Demographic and Demand Reserves	(3,293)	2,913	(380)	Reserve to help fund future demographic demands ;
Strategic	Legal Cost of VAT claims	(63)		(63)	£100k set aside from £8.4m VAT claim refund received in 2010/11 to help fund legal costs for remaining VAT cases.
Strategic	Mutual Municipal Insurance Reserve	(11)		(11)	Reserve to fund potential additional clawbacks of past insurance receipts from MMI.
Strategic	Energy efficiency reserve - LCC	(4)		(4)	Energy efficiency reserves to fund invest to save energy efficiency initiatives.
Sub-total Earmarked Reserves		(29,617)	11,578	(18,040)	
EARMARKED RESERVES					
Total non-ring fenced Reserves		(51,177)	12,392	(38,786)	

	Description	Actual Balance 31st March 2016	Actual Transfers To & From Reserve to Date	Balance Outturn	Reason for the Reserve
		£k	£k	£k	
	GENERAL FUND RING FENCED RESERVES				
Schools	Extended schools balances	(10,194)	1,177	(9,017)	Surpluses on extended school activities carried forward;
Schools	Schools Balances	(24,214)	7,056	(17,158)	Schools Balances net of VER, Children's Services and BSF PFI borrowing.
Schools	Central schools block - DSG	(3,681)	7,314	3,633	Carryforward of ring fenced DSG for centrally managed pupil orientated services.
Resources & Housing	Taxi & Private Hire licensing surplus	(392)	78	(314)	Ring fenced reserve for taxi and private hire licensing service.
Strategic	Energy efficiency reserve - Salix	(22)	(136)	(158)	Energy efficiency reserve to fund invest to save energy efficiency initiatives.
Strategic	Revenue grants	(6,236)	(4,261)	(10,497)	Revenue grants carried forward as per IFRS requirements (see note 1 below)
	Sub-total General Fund ring fenced reserves	(44,739)	11,228	(33,511)	
	Note 1				
	Revenue Grants				
	City Development	(1,504)	913	(591)	Revenue grants carried forward
	Environment & Housing	(8)		(8)	Bal for Year end relates to ESIF scheme.
	Children's Services - other	(2,423)	1,326	(1,097)	Revenue grants carried forward
	Children's Services - Department for Education Partners in Education (Re-Imagining Children Services for the 21st Century)	0	(7,318)	(7,318)	£7.318m DfE Partners In Practise funding received in 16-17 but to be used in 17/18 and 18/19
	Strategic	(2,301)	818	(1,483)	To fund costs relating to flood damage. £1.2m likely owed to DCLG.
	Sub-total Revenue Grants	(6,236)	(4,261)	(10,497)	
	HRA RING FENCED RESERVES				
	HRA General Reserve	(7,328)	697	(6,631)	
	Major repairs reserve	(31,764)	1,262	(30,502)	Ringfenced to fund capital expenditure or redeem debt.
	Housing Advisory Panels (HAPs) Reserve	(554)	(145)	(699)	To fund projects identified by Housing Advisory Panels which benefit the tenants and residents in the community they represent.
	LLBH&H PFI Sinking fund	(7,631)	5,116	(2,515)	PFI Sinking Fund
	Environmental Works	(2,573)	905	(1,668)	To fund environmental works in the Swarcliffe PFI area
	Swarcliffe Environmentals	(26)	26	0	To fund environmental works in the Swarcliffe PFI area
	Sheltered Housing	(4,088)	850	(3,238)	To fund investment in sheltered housing schemes which still contain shared bathing facilities and fund improved access for people with mobility issues.
	Holdsworth Place - land purchase	(64)		(64)	To fund the purchase of land at Holdsworth Place
	Insurance - large claims	(386)	249	(137)	To fund the cost of insurance claims
	Welfare Change	(2,000)	216	(1,784)	To fund pressures arising from welfare reform.
	Swarcliffe PFI	(12,947)	2,604	(10,343)	PFI Sinking Fund
	Early Leavers' Initiative	(522)	115	(407)	Reserve to fund the cost of approved severance payments
	Changing the Workplace	0	(353)	(353)	To fund the cost of 'new ways of working' for staff in Housing Leeds as office moves are completed.
	eFiles Box It Project	0	(262)	(262)	Principally to fund the scanning of Housing Management paper files to electronic files. This will assist the Housing Service in the preparation for moving to Community Hubs.
	Sub-total HRA reserves	(69,883)	11,280	(58,603)	
	Total ring fenced Reserves	(114,622)	22,508	(92,114)	
	TOTAL RESERVES	(165,799)	34,900	(130,900)	

CAPITAL PROGRAMME - 2014/15 GENERAL FUND OUTTURN VARIATIONS

Appendix 3

The following table highlights main scheme variations between the estimates in February 2017 and the final 2016/17 outturn. The variations are based on those programmes/schemes with significant variations both over/under > £100k.

Directorate	Programme/ Scheme	2016/17 Actual £000s	Variation Under (-)/ Over £000s	Reason for variation
Children's Services	Social Emotional and Mental Health Programme	10,844.1	(2,771.0)	All 3 SEMH sites have seen some delays; East - piling subcontractor was replaced, South - site constraints / weather, North - additional time to remove asbestos. The contractor has rescheduled works so that overall they remain on programme, however the works that have moved forward have been of lower value. Additionally, the fabrication of steel frames has been carried out off site but the contractor is yet to claim for these costs, resulting in the lower than anticipated spend.
	Learning Places	37,705.6	893.1	The major element of this increase relates to feasibility costs charged to revenue at the setting of the capital programme which have subsequently been capitalised when schemes have been confirmed to progress.
	Schools Capitalisation	3,714.5	214.5	Additional expenditure identified beyond budget that could be capitalised.
	Building Schools for the future residual ICT programme	180.1	180.1	One academy had initially advised that although they expected to commit all of their capital balance in the 2016/17 school academic year, it was unlikely that any more expenditure would take place before 2016/17 financial year end. However, the Academy subsequently requested that their full ICT continual investment balance be transferred.
	Other Children's Services Schemes	13,463.6	21.3	No material variances on remaining schemes within Children's Services.
		65,907.9	(1,462.0)	

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)

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.

**CHILDREN & FAMILIES 2017/18 FINANCIAL YEAR
FINANCIAL DASHBOARD - MONTH 1 (APRIL)**

Overall Summary - At period 2 the Directorate is reporting a projected overspend of £2.9m. This can be explained by £4.6m anticipated Children Looked After (CLA) demand pressures, £0.5m projected shortfall in Early Years income and an expected shortfall of £0.4m against other budget actions. These overspends are partly offset by an anticipated additional £0.5m of Education Support Grant, £0.2m transport savings and £2.3m of other actions that the directorate is committed to taking to reduce the projected overspend.

Children Looked After - Meeting the budgeted assumptions around the numbers of CLA is the most significant budget challenge that the Directorate faces in 2017/18, it is also the most difficult budget to set because numbers can fluctuate for a variety of reasons including demographic pressures. The 2017/18 budget includes an increase to the CLA budget of £3.3m compared to 2016/17. The increase in the budget reflects the position that CLA numbers reduced in 2016/17 but not to the level that was assumed in the 2016/17 budget. This was the major reason for the Directorate's overspend in 2016/17. The number of External Residential (ER) placements reduced during the first 8 months of 2016/17 from 62 in June 2016 to 50 in November 2016 only to increase to 56 by April 2017. The 2017/18 budget provides for 42 ER placements and was set whilst numbers were still around 50 placements in the third quarter of 2016/17. The number of Independent Fostering Agency (IFA) placements also reduced during 2016/17 from a high of 232 in May 2016 to 190 in March 2017. The 2017/18 budget assumes 159 placements and the current number is 195. There are currently 1,266 CLA children, an increase of 69 from the budget and at Period 1 the directorate is looking after an additional 53 children looked after in External Residential placements and Independent Fostering Agencies than the 2017/18 budget provides for. This is projected to result in a £4.6m pressure. The Directorate is taking a number of actions to reduce the number of ER and IFA placements during 2017/18, currently estimated to reduce the pressure by £1.3m. There is a risk that numbers continue to increase and the overspend is larger than currently projected. CLA numbers will be closely monitored throughout the year.

Staffing - At Period 1 it is projected that staffing will be slightly below budget although this assumes that the Directorate continues to closely manage vacancies and recruitment to achieve further savings of £1m to offset anticipated pressures in Safeguarding, Targeted and Specialist Services. There is a risk that these savings are not achieved.

Transport - At Period 1 it is projected that spend will be £0.2m below budget. This reflects the lower overspend in 2016/17 than was expected and lower demand than assumed in the 2017/18 budget. The 2017/18 budget included an increase to the Transport budget of £2.8m reflecting anticipated demand pressures. There is a risk that demand increases during the year.

Other Income - The new Innovations & Partners in Practise bid has now been approved and will provide additional funding to be spent over three years. A total of £7.3m was received in 2016/17 and all this funding has been carried forward to 2017/18. A shortfall in income in children's centres of £0.5m is forecast and is expected to be offset by anticipated additional Education Support Grant of £0.5m.

Budget Management - net variations against the approved budget

	Expenditure Budget	Income Budget	Latest Estimate	PROJECTED VARIANCES											Total (under) / overspend	
				Staffing	Premises	Supplies & Services	Transport	Internal Charges	External Providers	Transfer Payments	Capital	Appropriation	Total Expenditure	Income		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Demand Led Budgets:																
External and other Residential Placements	8,930		8,930						1,915					1,915		1,915
Independent Fostering Agencies	6,649	0	6,649						1,385					1,385		1,385
In House Fostering, Adoption, SGO and RO	24,382	(2,810)	21,572											0		0
SEN Outside Placements	4,857	(4,857)	0											0		0
Leaving Care	6,363	(1,349)	5,014											0		0
Transport	12,176	0	12,176				(200)							(200)		(200)
Sub total Demand Led Budgets	63,357	(9,016)	54,341	0	0	0	(200)	0	3,300	0	0	0	0	3,100	0	3,100
Partner Funding																
Partner Funding of Family Services		(367)	(367)											0		0
Sub total Partner Funding	0	(367)	(367)	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Budgets																
Partnerships	28,665	(14,022)	14,643	(250)		(200)								(450)		(450)
Learning, Skills & Universal Services	71,005	(67,540)	3,465	(250)		(200)								(450)		(450)
Safeguarding, Targeted & Specialist Services	100,677	(59,322)	41,355	400		(100)			400					700	500	1,200
Central Overheads	9,554	(7,735)	1,819											0	(500)	(500)
Sub total Other Budgets	209,901	(148,619)	61,282	(100)	0	(500)	0	0	400	0	0	0	0	(200)	0	(200)
Total	273,258	(158,002)	115,256	(100)	0	(500)	(200)	0	3,700	0	0	0	0	2,900	0	2,900

Key Budget Action Plans and Budget Variations:

		Lead Officer	Additional Comments	Action Plan Value	Forecast Variation
				RAG	£m
A. Significant Variations					
	Children Looked After	Steve Walker	Pressure on CLA demand led budgets (External Residential placements and Independent Fostering Agencies). This is based on the latest CLA numbers which are higher than the budgeted figures and assumes that the current numbers remain as they are for the rest of the year. A number of actions are being implemented that should lead to a reduction in ER and IFA numbers and these are shown in the contingency plans. There is a risk that numbers continue to increase due to demographic pressures.		4.60
	Passenger Transport	Sue Rumbold	Anticipated savings against the transport budget based on the outturn position in 16/17 and projected demand in 2017/18. There is a risk that demand increases in 2017/18 and the saving isn't realised.		-0.20
	Income - ESG	CSLT	Latest Indicative allocations indicate an increase in Education Support Grant against budgeted income.		-0.50
B. Key Budget Action plans (BAP's)					
E1	Remodel Social Work Practice	Sal Tariq	Reduced agency spend in Children's Social work service, and also reduce non-front line staffing in Children's Social work. A shortfall of £0.4m is currently projected against the saving target.	A	0.40
E2	Other staffing savings	CSLT	Net staff savings from ELI and through the management of vacant posts.	A	0.00
C2	ESG funded activities	Andrew Eastwood, Sue Rumbold	Proposed savings include running cost savings in information management & technology, learning improvement and information management, and staff savings across a number of services.	A	0.00
C3	Commissioned services	CSLT	Commissioned Services - A shortfall of £0.2m is currently projected against the budgeted savings.	A	0.20
A7	Increase traded income and reduced level of subsidy	CSLT	Additional resources have been committed to provide the capacity to develop a strategy and implement the proposals. Additional traded income has been included in the 17/18 budget for activity centres, complex needs, early years improvement, attendance strategy and a range of other services provided to schools. At this stage in the year it is projected that the budget should be achieved although there is a risk that not all the additional income is secured.	A	0.00
C1	Children's Centre Family Services & Childcare	Andrea Richardson	Reshape of family services which will include a review of the core offer and additional services currently funded by partners.	G	0.00
A4	Additional DfE Innovations funding	Sal Tariq	New Innovations bid approved and £7.3m received in 2016/17. It is anticipated that £4m will be spent in 2017/18.	G	0.00
A2	Children's Centre Income	Andrea Richardson	Increases in Fees from January 2017 and September 2017 and additional income from the new Free Early Educational Entitlement (FEEE) hourly rates. A shortfall of £0.5m against the overall income target is projected reflecting a reduction in nursery places taken up.	R	0.50
A3	Additional income from top slice Free Early Education Entitlement (FEEE) payments.	Sue Rumbold	New ability to top slice 5% from FEEE payments to nursery providers. Schools Forum approval received.	G	0.00
	Various other budget savings (8)	CSLT	Including short breaks contract savings, additional income from Adel Beck and Children's Centre fees, additional public health and CCG funding, additional DCLG funding for troubled families, running cost savings etc.	A	0.20
C. Contingency Plans					
	Additional staff savings across the Directorate		Review vacant posts and agency and overtime time spend across the directorate	A	(0.50)
	Running cost savings/additional income		Review running costs and income across the directorate	G	(0.50)
	Actions to reduce CLA numbers in year		Resources employed to target ER and IFA placements	A	(1.30)

Children's Services Directorate - Forecast Variation

2.90