

Report of the Chief Officer Financial Services

Report to Executive Board

Date: 13th December 2017

Subject: Financial Health Monitoring 2017/18 – Month 7

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 as at month 7 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 and the projected overspend reflects this challenge.
4. 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 stage of the financial year, it is clear that the majority of these actions are on track to be delivered, and where there are variations, compensating savings have been identified.

5. At month 7, there is a no projected variation on the General Fund and the Housing Revenue Account is projected to break even.

Recommendation

6. (i) Note the projected financial position of the authority as at month 7.

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 7.
- 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 the Council's general fund reserve was £20.1m which was £2.6m higher than the amount assumed when the 2017/18 budget was approved. A sum of £1.4m has been released into the Children and Families budget for 2017/18 which has subsequently reduced the level of general reserve to £18.7m. The 2017/18 budget does not assume any further use of or contribution to this reserve during this financial year.
- 2.3. 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.

3. Main Issues

3.1. At month 7 no variation on the general fund budget is currently projected.

3.2. *Table 1*

Summary Position - Financial Year 2017/18 Period 7

Reporting Period October 2017

Directorate	Director	Projected (Under) / Over spend for the current period				Month 6 Position
		Staffing	Total Expenditure	Income	Total (under) /overspend	
		£000	£000	£000	£000	£000
Adult & Health	Cath Roff	(1,205)	6,902	(6,902)	0	0
Children and Families	Steve Walker	897	3,088	(3,088)	0	0
City Development	Martin Farrington	(1,271)	468	(468)	0	0
Resources & Housing	Neil Evans	(2,718)	(1,319)	1,319	0	0
Communities & Environment	James Rogers	1,516	1,924	(1,924)	0	0
Strategic	Doug Meeson	(230)	238	(238)	0	0
Total Current Month		(3,011)	11,301	(11,301)	0	0
Previous month (under)/over spend		(3,454)	5,338	(5,338)	0	0

3.3. The major variations within Directorates are outlined below with additional detail provided on the Directorate dashboards which are included as appendix 1 to this report;

3.4. Adults and Health

- 3.4.1. Adults and Health are currently projecting a balanced budget position. Though it should be highlighted that there are potential pressures building, related to fees paid for care homes and home care and the impact of recent case law on the payments for sleep-ins, that may impact on this and future years finances. It is currently assumed £0.6m of earmarked reserves are used to balance the budget.
- 3.4.2. Community care packages (demand led budgets) are projected to cost an additional £2m, mainly as a result of proposed care home and agreed home care fees.
- 3.4.3. Staffing costs are forecast to be £1.2m below budget, principally in commissioning services.
- 3.4.4. The report assumes that £8.0m of the additional £14.7m additional grant will be used to offset an income target set against Leeds CCG's. Post the budget setting it has become apparent that both local and national pressures within the NHS mean that this target is no longer realistically achievable. Income from client contributions. The remainder of the £14.7m Spring budget monies is

being used to protect the care market, sustain care packages and reduce social care related pressures in the health service.

3.4.5. Other net income is projected to be £0.2m above budget.

3.5. Children and Families

3.5.1. Children and Families are projecting a balanced position at Period 7, although there are a number of variations within the directorate. Given the demand led pressures within services in the Directorate these budgets will continue to be closely monitored throughout the rest of the year.

3.5.2. There has been an increase in the demand for External Residential (ER) and IFA (Independent Fostering Agents) placements during September and October which means that the projected year end spend has been increased. Overall CLA numbers have also increased. Based on current numbers, a net variance of around £1.2m is projected.

3.5.3. There has also been an adverse movement in projected staffing costs. It is projected that the action plan to deliver savings from the review of vacant posts, agency and overtime will not achieve all of the targeted savings previously reported; this results in a further £0.5m pressure. The directorate will continue to review recruitment and agency spend to try and reduce this pressure.

3.5.4. In order to offset these increased pressures the Directorate is looking to utilise an additional £1.7m of the DfE Partners in Practice funding earlier than profiled and also maximise external income and has identified an additional £1m that will help to offset the CLA and staffing pressures..

3.6. The Dedicated Schools Grant is also facing a number of budget pressures in 2017/18. As in 2016/17 these are mainly on the High Needs Block in relation to top-up payments and outside placements and some additional costs in relation to the new Social Emotional and Mental Health provision, partly offset by savings in the Early Years Block. Whilst a number of savings proposals have been actioned in the High Needs Block budget including transferring £2m of funding from the Schools Block it is currently forecast that there will be an overall overspend in 2017/18 of £0.86m. The deficit reserve from 2016/17 of £3.6m has also been brought forward to 2017/18. The directorate is undertaking a review of the High Needs Block with the aim of identifying options to bring spend in line with the available resources and to repay the deficit balance over the next few years

3.7. City Development

3.7.1. The directorate are projecting a balanced budget position at the year-end; however, there are income pressures totalling £1.4m within Asset Management and Economic Development. This is largely offset by an additional £1.2m of Sport VAT income following the EU ruling on Sports admissions. The balance of £0.2m will be found from line by lines and reviews of other balances.

3.8. Communities and Environment

- 3.8.1. The Directorate continue to project a balanced position, although there are variations within services. The main variations are outlined below.
- 3.8.2. There is a projected shortfall in housing benefit overpayment income of £0.5m, against a budget of £8.4m, following a projected reduction in the number and average value of housing benefit overpayments.
- 3.8.3. Within Customer Access an overspend of £0.7m, mainly in respect of staffing, is forecast due to the delivery of the Community Hub programme and additional security arrangements at sites.
- 3.8.4. Within Waste Management, the Refuse service is projecting an overspend of £0.8m due to slippage on the Refuse collection route efficiency programme. Additional pressures of £0.1m, mainly relating to the deferral of implementing inert building waste charges are offset by business rates savings of £0.5m at the RERF. In addition, £0.6m savings in respect of disposal costs and additional recycling income are projected, together with a further £0.4m of one-off savings identified across the Waste Management service, contributing to an overall underspend of £0.6m.
- 3.8.5. The planned introduction of charging for inert building waste at Household Waste Sites was deferred following DEFRA's announcement in April 2017 that they would issue revised guidance around charges for the disposal of such waste, and potentially revise the legislation governing them. Many Councils have historically implemented charges and the Council's view is that charging is permitted under current legislation. The financial projections currently assume charges will be implemented on 1st February 2018, although this is subject to further announcements and guidance from DEFRA.
- 3.8.6. The directorate will identify further actions of £0.2m to bring the budget back into balance.

3.9. Resources and Housing

- 3.9.1. No material variations are currently forecast and the Directorate is projecting a balanced position.

3.10. Strategic and Central Accounts.

- 3.10.1. Based on 16/17 savings from additional capitalisation and saving on the levy payment to the business rates pool will help to offset pressures on S278 (income from developers) and new homes bonus income.

4. Other Financial Performance

4.1. Council Tax

- 4.1.1. The Council Tax in-year collection rate at the end of September was 63.85% which is in line with the performance in 2016/17. Forecasts show the 2017/18 in-year collection target of 96.1% collecting some £320.7m of income will be achieved.

4.2. Business Rates

- 4.2.1. The business rates collection rate at the end of Sept was 64.91% which is 0.5% ahead of the performance in 2016/17. The forecast is to achieve the 2017/18 in-year collection target of 97.7% collecting some £374.8m of income.
- 4.2.2. The opening total rateable value of business properties in Leeds was £915.54m at 1st April. This grew by £1.7m to £917.24m in mid-May, but, following a number of Valuation Office reductions, had fallen to £914.77m at 30th September. At 30th October the list has recovered the growth experienced in the early part of the year and stands at £917.32m
- 4.2.3. 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 £136.7m, which is lower than the budget requirement of £142.9m and may impact further on the Collection Fund deficit. The position on the Collection Fund deficit is kept under constant review as deficits are carried forward and impact on the resources available in the following year.

4.3. Business Rates Appeals

- 4.3.1. The opening appeals provisions for 2017/18 was £25.0m, made up of £23.0m 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.
- 4.3.2. On 1st April 2017, there were 5,337 appeals outstanding. By 1st October 2017, these had reduced to 3,876 appeals outstanding. During October 299 appeals have been settled, 226 of which have not resulted in changes to rateable values. 28 new appeals were received in October, the low number received reflecting that appeals are no longer accepted against the 2010 list except in very specific circumstances. No appeals have been received to date against the 2017 list.
- 4.3.3. At 31st October there are 3,605 outstanding appeals in Leeds, with 25.8% of the city's total rateable value currently subject to at least one appeal.

5. Housing Revenue Account (HRA)

- 5.1. At the end of month 7 the HRA is projecting a balanced position in 2017/18.

6. Corporate Considerations

6.1. Consultation and Engagement

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

6.2. Equality and Diversity / Cohesion and Integration

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.

6.3. Council Policies and Best Council Plan

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.

6.4. Resources and Value for Money

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

6.5. Legal Implications, Access to Information and Call In

There are no legal implications arising from this report.

7. Recommendations

7.1. Executive Board are asked to

(i) Note the projected financial position of the authority as at month 7.

8. Background documents¹

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.