

Report of the Chief Officer Financial Services

Report to Executive Board

Date: 21st March 2018

Subject: Financial Health Monitoring 2017/18 – Month 10

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 10 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 10 there is a minor projected saving on the General Fund of £0.7m and the Housing Revenue Account is projected to break even.

Recommendation

6. (i) Executive Board is asked to note the projected financial position of the authority as at month 10.

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 10.
- 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 nine 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. 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 10, a small underspend of £0.67m (0.14%) is currently projected.

Table 1

Directorate	Director	(Under) / Over spend for the current period				Total (under) /overspend	Month 9 Position
		Staffing	Total Expenditure	Income	To/from Reserves		
		£000	£000	£000		£000	£000
Adult & Health	Cath Roff	(828)	6,790	(7,705)	915	0	0
Children and Families	Steve Walker	1,073	1,994	(1,591)		403	0
City Development	Martin Farrington	(829)	1,075	(1,076)		0	0
Resources & Housing	Neil Evans	(2,671)	(623)	623		0	0
Communities & Environment	James Rogers	1,861	2,519	(2,519)		0	0
Strategic	Doug Meeson	(72)	(1,523)	454		(1,069)	(567)
Total Current Month		(1,466)	10,233	(11,814)	915	(666)	(567)
Previous month (under)/over spend		(2,188)	12,346	(13,507)	594	(567)	

3.2. 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;

3.3. **Adults and Health**

3.3.1. The Directorate's planned actions to reduce costs, together with lower than anticipated demand pressures relating to both the Learning Disability Service and Direct Payments, has resulted in a reduction in the budgeted contribution from the earmarked reserves. It is proposed that this is carried forward to address anticipated pressures in respect of residential placements and increased cost pressures on commissioned care contracts.

3.3.2. Community care packages (demand led budgets) are projected to cost an additional £1.5m, mainly as a result of agreed care home and home care fees.

3.3.3. Staffing costs are forecast to be £0.8m below budget, principally in Commissioning Services and general running costs are forecast at £0.6m below budget.

3.3.4. 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. 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.

3.3.5. Though it should be highlighted that there are potential pressures relating to demand and the impact of recent case law on the payments for sleep-ins, that may impact on this and future year's finances.

3.4. **Children and Families**

3.4.1. Children and Families are projecting a small overspend of £0.4m at Period 10, although there are a number of variations within the directorate. The major change since the last period relates to the income for Partner Improvement work has now been reprofiled and approximately £0.4m less will be received in this financial year and will be received in 2018/19 instead.

3.4.2. The increase in the demand for external residential and IFA (Independent Fostering Agents) placements during the autumn has now steadied. Based on current numbers (190 independent fostering and 62 external residential placements), a net variance of around £0.9m is projected. This is reduced from £1.4m last period due to additional income £0.3m and £0.2m of in house savings

3.4.3. Staffing costs are projected to overspend by around £1.1m. The Directorate will continue to review recruitment and agency spend to try and reduce this

pressure.

3.4.4. In order to offset these increased pressures the Directorate is looking to utilise an additional £2.0m of the DfE Partners in Practice funding earlier than profiled and will also maximise external income and identify savings of £0.7m that will help to offset other pressures including a £0.3m pressure on commissioned services.

3.5. 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 (£2.7m) in relation to top-up payments and outside placements and some additional costs in relation to the new Social Emotional and Mental Health provision, offset by savings in the Early Years Block (£2.3m) and the Schools Block (£0.6m). It is currently forecast that there will be a small underspend in 2017/18 of £0.2m which will reduce the brought forward deficit reserve from 2016/17 of £3.6m. The movement from the previous reported deficit on the DSG mainly relates to the delay in academy conversions. The directorate has undertaken a review of the High Needs Block with the aim of identifying options to bring spend in line with the available resources, as increases due to the High Needs Block National Funding Formula have been capped, and to repay the deficit balance over the next few years. The cap on gains has resulted in the Council receiving an increase of £2m, rather than the £9m suggested by the formula.

3.6. **City Development**

3.6.1. The Directorate continues to project a balanced budget position at the year-end; however, there are net income pressures totalling £2.1m within Asset Management and Economic Development. This is largely offset by an additional £1.4m of Sport VAT income following the EU ruling on Sports admissions and additional net income from Planning of £0.3m.

3.6.2. The directorate action plan requires savings of £0.4m to bring the budget back into balance.

3.7. **Communities and Environment**

3.7.1. The Directorate continue to project a balanced position, although there are variations within services. The main variations are outlined below.

3.7.2. There is a projected shortfall in housing benefit overpayment income of £0.7m, against a budget of £8.4m, following a projected reduction in the number and average value of housing benefit overpayments.

3.7.3. Within Customer Access an overspend of £0.8m, mainly in respect of staffing, is forecast due to the delivery of the Community Hub programme and additional security arrangements at sites.

3.7.4. Within Waste Management, the Refuse service is projecting an overspend of £1.0m mainly due to slippage on the Refuse collection route efficiency programme. To help offset these pressures there is a net £0.1m from weighbridge income, 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.

- 3.7.5. Savings in staff costs in other areas of the directorate total approximately £0.5m and the directorate will identify further actions of £0.1m to bring the budget back in to balance.

3.8. Resources and Housing

- 3.8.1. The Directorate continues to project a balanced position although there are some variations within services. Savings in staffing costs will offset pressures of £0.2m within corporate property maintenance and a shortfall in income from court fees of £0.4m.

3.9. Strategic and Central Accounts

- 3.9.1. There are income pressures of £2.1m on S278 (income from developers) and new homes bonus income £1.7m. However, these are offset by additional S31 grant (business rates) of around £3.8m following confirmation of reliefs. This grant is to recompense for the reduction in business rate income resulting from reliefs. In addition a saving of £0.7m in the levy payment to the pool is forecast. Other minor variations amount to £0.3m.

4. Other Financial Performance

4.1. Council Tax

- 4.1.1. The Council Tax in-year collection rate at the end of January was 89.99%, slightly below the performance in 2016/17, however forecasts show the 2017/18 in-year collection target of 96.1% collecting some £322.6m of income will be achieved.

4.2. Business Rates

- 4.2.1. The business rates collection rate at the end of January was 89.41% which is in line with the performance in 2016/17. The forecast is to achieve the 2017/18 in-year collection target of 97.7% collecting some £373.3m 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 31st January the list has recovered and exceeded the growth experienced in the early part of the year and stands at £920.5m.

- 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 £132.9m, 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 January 2018, these had reduced to 2,966 appeals outstanding. During January 116 appeals have been settled, 81 of which have not resulted in changes to rateable values. 3 new appeals were received in November, 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 January there are 2,855 outstanding appeals in Leeds, with 22.1% 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 10 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 is asked to

(i) Note the projected financial position of the authority as at month 10.

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.