



Agenda item:

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Report of the Director of Resources

Executive Board

Date: 8th February 2008

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

Electoral wards affected:

Specific implications for:

Ethnic minorities

Women

Disabled people

Narrowing the gap

Eligible for call In

Not eligible for call in

(details contained in the report)

Executive Summary

1. The purpose of this report is to inform members of the financial health of the authority after nine months of the financial year in respect of the revenue budget and the housing revenue account. Separate reports on the Council's Capital Programme and the Housing Revenue Account are elsewhere on this agenda.
2. The report identifies that a number of council services are continuing to face financial pressures in 2007/08. However additional funding sources have been identified to mitigate against these pressures, and after funding those areas of concern outlined at the half year stage, an increase in reserves carried forward to 2008/09 of £2.3m is projected.
3. It is proposed that this increase in reserves will be used to support the 2008/09 revenue budget as detailed in the separate revenue budget and Council Tax report.
4. Members are asked to note the projected financial position of the authority after nine months of the financial year.

1. PURPOSE OF REPORT

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

2. BACKGROUND INFORMATION

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

3. MAIN ISSUES

- 3.1 In the half year report, members were informed of a number of potentially significant pressures facing the Council 2007/08. it was recommended that funding was made available in savings from capital financing costs and by releasing general fund reserves in the sum of £5m to areas of immediate concern. This was approved by full Council on the 16th January 2008.
- 3.2 After funding these pressures general fund reserves were still projected to be above the minimum level required under the risk based reserves policy.
- 3.3 At month 6, pressures within Adult Social Care were reported at £3.3m, of which £1.9m was allocated to fund learning disability commissioning and direct payments. At month 9 the projected overspend has reduced to £0.6m and work is continuing to balance the budget overall by the year-end. The remaining variance at month nine mainly reflects some budgeted savings that are not now projected to be achieved in full, although contingency actions have been identified to partly offset the financial impact.

- 3.4 Within Children's Services, the pressures within social care being experienced in the early part of this financial year have continued. After allocating £1.3m at the half year to the service, the projected spend is still £2.9m above the approved budget. This mainly reflects increased numbers of children and fee-paid foster carers, together with higher than anticipated spend on leaving care services and costs for unaccompanied asylum seeking children exceeding the grant claimable.
- 3.5 All other directorates are on line to achieve a balanced budget position net of amounts allocated at the half year.
- 3.6 As agreed by Board at month 3 savings in capital financing costs of £4.2m were transferred to the job evaluation reserve. The latest projected costings for job evaluation in year is around £6.5m compared to the base budget of £3.0m, although this is still subject to agreement. It is proposed therefore to release funds from the reserve once the position is finalised.
- 3.7 Further debt savings of £6.4m have been achieved through the continuation of debt rescheduling, the effect of the revised accounting treatment of premiums and discounts and borrowing in advance of the capital programme need requirements.
- 3.8 Taking account of all of the above, the projected surplus is £2.3m and it is proposed to transfer this to reserves to support the 2008/09 revenue budget as detailed in the separate revenue budget and Council Tax report elsewhere on this agenda.

4 SCHOOLS

- 4.1 School reserves stood at £6.1m as at 31st March 2007. This comprised aggregate surpluses in the primary and special schools sectors and an overall deficit of £1.6m in the secondary school sector.
- 4.2 There are a number of schools which have set deficit budgets for 2007/08. In accordance with the Council's policy on licensed budgets, such schools are required to submit action plans detailing how they intend to move towards a balanced position. The evaluation of these plans does raise a number of issues as to deliverability and the current licenced deficit policy, and its application is being reviewed in conjunction with Education Leeds.

5 COLLECTION OF LOCAL TAXATION

- 5.1 The level of Council Tax collected at the end of December 2007 is 83.68% of the debit for the year of £226m. This is slightly behind the same period last year due to more clients choosing to pay over 12 months instead of 10. The performance target for the year of 96.5% is being closely monitored.
- 5.2 The collection of non-domestic rates for the first nine months is 88.13% of the current net debit of £289.2m, which is broadly in line with the same period last year. Again, the performance target of 98.6% is being closely monitored.

6 PROMPT PAYMENT OF INVOICES

- 6.1 A local target of 92% for paying all undisputed invoices within 30 days of receipt of agreed terms was set for the year. For the period 1st April to 31st December the actual

performance was 92.3% (91.4% as at month 6), which represents improved performance since the transfer of the function to the Business Support Centre.

- 6.2 The total number of invoices processed in the period which meet the prompt payment criteria was 407,608. After accounting for 9,299 (6,793 at month 6) invoices in query with the supplier, 367,811 invoices were paid within 30 days, leaving 30,498 paid after 30 days.

7 RECOMMENDATION

- 7.1 Members of the Executive Board are asked to
- Note the projected financial position of the authority after nine months of the new financial year
 - Approve the transfer of the projected surplus to general reserves.