



Report of the Director of Resources

Executive Board

Date: 11th June 2008

Subject: FINANCIAL PERFORMANCE – OUTTURN 2007/08

Electoral wards affected:

Ward Members consulted

Specific implications for:

Equality and Diversity

Community Cohesion

Narrowing the gap

Eligible for call In

Not eligible for call in

(details contained in the report)

Executive Summary

This report presents the Council's financial performance for the year ending 31st March 2008, prior to the submission of the annual accounts to Corporate Governance and Audit Committee for approval, and subject to audit.

As previously reported to Executive Board, a number of General Fund services have faced significant financial pressures during 2007/08. However, the overall position is an underspend of £3.9m which results in general fund reserves of £17.4m at the end of 2007/08. Spending variations are fully explained in the individual directorate reports which are attached to this report.

Variations within the Housing Revenue Account (HRA) have resulted in an underspend of £3.8m, which it is proposed to transfer to earmarked reserves. The level of general HRA reserves remains unchanged at £3.7m. Full details of the variations and the contributions to reserves are contained in the HRA report attached.

Spending on capital investment was £35.8m less than programmed - £24.2m of which relates to general fund services. Resources have been used for the HRA and general fund programmes to achieve the cost effective funding mix for the overall programme.

Other areas of year end financial performance reported include schools reserves, Local Area Agreement, the collection of local taxation and sundry income, and the prompt payment of creditors.

1.0 Purpose of this report

- 1.1 This report sets out for the Board the Council's financial outturn position for 2007/08, both revenue and capital, and includes the Housing Revenue Account. The report covers revenue expenditure and income compared to the approved budget and also reports on the outturn for Education Leeds, ALMOs and the LAA.
- 1.2 The report also highlights the position regarding other key financial health indicators including Council Tax and NNDR collection statistics, Sundry Income, prompt payments, Corporate Plan Priorities and the Annual Efficiency Statement.
- 1.3 The 2007/08 Statement of Accounts will be presented to the Corporate Governance and Audit Committee for approval on the 30th June 2008 and the report of the auditors will be referred back to that Committee in due course.
- 1.4 Following approval by Committee, in accordance with the 2006 Audit and Accounts Regulations, the Accounts will be available for public inspection for 20 days from the 30th June 2008.
- 1.5 Following completion of the audit, as in previous years, it is intended to provide information through the About Leeds newspaper in support of the Council's commitment to engage citizens.
- 1.6 Executive Board, as in previous years, are asked to consider the financial performance of the Council during the year and approve the creation and usage of the Council's reserves.

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 £4.35m from reserves. As a result, the level of general fund reserves at 31st March 2008 were estimated to be £13.0m when the budget was agreed.
- 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 an actual balance carried forward of £23.6m.
- 2.3. The 2007/08 budget was set assuming the use of £4.35m of reserves, however the half year financial health report identified that a number of council services were continuing to face financial pressures in 2007/08. Additional funding sources have been identified in-year to mitigate against these pressures and after funding areas of immediate concern the balance carried forward to 2008/09 was projected at £17.1m.

3. General Fund Outturn

3.1 During the year additional spending pressures were identified and Executive Board approved the allocation of £5.7m to services which were funded from savings in capital financing costs. The outturn position shows that other in year savings of £3.8m have been made, although £3.5m was anticipated when the Latest Estimate was determined in February 2008.

3.2 The table below provides a summary of variations from the Latest Estimate at directorate level:

	Outturn £m
Adult Social Care	(0.3)
Children's Services	0.6
City Development	1.3
Environment and Neighbourhoods	(3.2)
Chief Executives	0.1
Resources	(0.5)
Commercial Services	0.4
Strategic accounts	(2.2)
Total Projected Variation	(3.8)

3.3 Spending variations at service level are further explained in the individual directorate reports attached to this report as Appendix 1.

3.4 Taking account of this £3.8m underspend the level of General Fund Balances as at 31st March 2008 will be £17.4m. The following table analyses how this is derived:

2007/08	OE £m	Latest Estimate £m	Actual £m
General Fund Reserve			
Balance at 31.3.07	17.3	23.6	23.6
Budgeted Use of Reserves	-4.3	-4.3	-4.3
Approved Use in Year	0	-5.7	-5.7
Assumed savings to Outturn	0	3.5	3.5
Further savings at Outturn	0	0	0.3
Carried Forward 31.3.08	13.0	17.1	17.4

3.5 After the use of £5.1m of reserves being used to underpin the budget in 2008/09 there will be a projected level of General Fund reserves of £12.3m. As a prudent level of reserves of £12m is deemed to be capable of covering the estimated financial risk of the authority, as assessed by the risk based reserves policy, it is proposed that the additional £0.3m of reserves is used to bolster the 2008/09 contingency fund and consequently the carry forward by individual directorates will not apply for 2007/08.

3.6 A full statement of all Reserves can be found at Appendix 2, including any usage or additional contributions. Members should note that the statement includes a proposal to create two new earmarked reserves in respect of PCT contributions and LBIA pension liabilities. Further details on these two new reserves can be found in the Adult's and Strategic outturn reports in Appendix 1.

3.7 Members should also note that the Council's balance sheet will also recognise a reserve for the estimated net pensions liability under FRS 17. As at the 31st March 2008 this reserve stood at a deficit of £680m, an increase in the deficit of £349m from last year. There are a number of significant factors which have contributed to this increase:

- The future pension liabilities held on the balance sheet are discounted back to current prices. Every year these pension liabilities become one year closer to being paid and the accounts therefore reflect the unravelling of one more year of this discount. Consequently the level of pension liabilities rises each year and for 2007/08 this increase amounted to £107m.
- The value of the council's pension fund assets have fallen by £55m mainly due to the poor performance of the stock markets over the last year. Normally you would expect a rise in the value of assets helping to offset the increase in liabilities described above.
- A £94m increase in the estimated pensions liabilities primarily due to the actuaries taking account of the trends for increasing life expectancy.
- An adjustment of £63m which reflects the actuaries updating assumptions following this years full actuarial review. Full actuarial reviews are only carried out every three years, the assumptions used in intervening years are rolled through from the last full review.

3.8 The overall deficit on the fund represents the difference between the value of the Authority's pension fund assets at 31st March 2008 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in their full actuarial review of the Pension Fund, carried out as at 31st March 2007. This concluded that the Pension fund was 90% funded, and set contribution rates for the next three years which are designed to move the fund towards a fully funded position.

4. Housing Revenue Account

4.1 The outturn position on the Housing Revenue Account (HRA) shows an additional in-year surplus of £3.8m. It is proposed to use this surplus to create additional earmarked reserves and full details are contained in the attached HRA report.

5. Capital Programme

5.1 The latest approved February 2008 Capital Programme estimated capital expenditure in 2007/08 to be £376.9m, £235.3m for the general fund and £141.6m for Housing. Resources were estimated to be sufficient to fund this level of expenditure.

5.2 The actual capital expenditure in 2007/08 is £343.4m as detailed below.

5.3 General Fund Capital Spend

5.3.1 The following table shows the in year actual expenditure against estimate:

General Fund	Estimate £000	Estimate (Adjusted) £000	Outturn £000	Variation (Adj Est to Outturn)	
				£000	%
City Development	110,473	113,253	102,107	-11,146	-9.8
Children's Services	10,991	11,058	8,461	-2,597	-23.5
Environment & Neighbourhoods	31,127	33,031	28,226	-4,805	-14.5
Adult Services	4,593	4,950	2,723	-2,227	-45.0
Strategic Accounts	15,376	3,249	9,462	6,213	191.3
Education	52,530	52,811	44,541	-8,270	-15.7
Central & Corporate Functions *	10,286	16,596	15,188	-1,408	-8.5
Total Spend	235,376	234,948	210,708	-24,240	-10.3

* Central and Corporate includes spend of £5.5m relating to Equal Pay costs.

5.4 Housing Revenue Account Capital Spend

5.4.1 The following table shows the in year actual expenditure against estimate:

HRA	Estimate (Adjusted) £000	Outturn £000	Variation	
			£000	%
Strategic Landlord	2,822	2,989	167	5.9
ALMOS	141,459	129,714	-11,745	-8.3
Total Spend	144,281	132,703	-11,578	-8.0

£428k originally provided for within the General Fund vehicle programme has been allocated to HRA and is reflected in the Adjusted Estimate columns in the above tables (5.3.1 & 5.4.1).

5.5 Capital Resources

5.5.1 Capital resources to fund the programme have varied. Capital receipts achieved totaled £83.1m, including useable capital receipts from right to buy sales of £8.5m and the sale of Leeds Bradford Airport.

5.5.2 As in previous years, resources have been used for the HRA and general fund programmes to arrive at the most cost effective funding mix for the overall capital programme. Right to buy capital receipts that are not required in 2007/08 to fund the HRA capital programme have been used to fund the general fund, thereby reducing borrowing costs. Compensating resources will be returned to the HRA programme in

2008/09. Where this switch of resources has taken place in earlier years, all compensating resources are now incorporated within the HRA capital programme plans through to 2010/11

Details of the expenditure and financing are shown below:

	£m
Net Capital Spend	343.4
Financed by	
Specific Grants and Contributions	101.9
Capital Receipts	83.1
MRA	8.8
Borrowing	145.3
Revenue Contributions	4.3
Total Funding	343.4

6. Schools

6.1 The outturn on the Individual Schools Budget for 2007/08 was:-

Outturn	£m
Latest estimate	350.5
Outturn	344.2
Variation	(6.3)
Schools Reserves	
Balance Brought Forward	6.1
Net Contribution to Reserves	6.3
Balance Carried Forward	12.4
Memorandum :	
Extended Schools Reserve	2.5

6.2 As can be seen from the above table, mainstream school reserves stand at £12.4m. These are ringfenced and must be carried forward. Extended school reserves amount to £2.5m.

6.3 However, as previously agreed, temporary transfers have been made from mainstream school reserves to fund school based Voluntary Early Retirements. During 2007/08, £0.9m has been repaid, representing approximately one fifth of the £4.7m used to fund VER for the years 2002/03 to 2006/07. The total amount still awaiting repayment amounts to £3.3m (£2.4m from previous years and £0.9m from 2007/08).

6.4 In recent years, development costs of PFI funded BSF schools have been funded initially by borrowing from mainstream school reserves, amounting to approximately £0.8m per annum in the last three financial years, and repayment will be made over the life of the PFI contracts. It is anticipated that from 2008/09 PFI and BSF reserves will be sufficient to initially fund future development costs with repayment being made over a ten year cycle.

6.5 Taking account of these adjustments the net mainstream schools reserves position is £6.7m as at 31st March 2008. Extended schools reserves stand at £2.5m.

7. Other Financial Results

7.1 Education Leeds

7.1.1 Education Leeds have now reported their financial position for 2007/08 (subject to audit and their Board's approval) and this shows a small surplus of £61k. This leaves Education Leeds with accumulated surpluses of £3.1m at the close of 2007/08. Projected levels of operating surpluses were taken into account when determining the contract value for 2008/09 and £1.1m of operating surpluses were agreed as being required to support the 2008/09 Education Leeds budget. The £3.1m level of reserves would therefore be enough to sustain this position for three years.

7.2 ALMOs

7.2.1 The 'new' ALMOs are reporting an overall surplus for the year of £7.9m. The balance on the 'old' ALMO reserves brought forward from 2006/07 was £14.9m and it is proposed that these reserves are transferred to the new ALMOs giving a reserve position as at 31st March 2008 of £22.8m.

7.2.2 In addition to the operating position reported above, the ALMOs FRS17 liability brought forward from 2006/07 of £0.9m has increased to £9.6m mainly through a fall in the value of pension fund assets due to the poor performance of the stock market over the last year.

7.2.3 The figures reported above are subject to audit and approval of the ALMO boards.

7.3 Grand Theatre

7.3.1 The Leeds Grand Theatre and Opera House company made an operating surplus of £20.1k before accounting for the FRS17 adjustment, leaving the company with a reserve of £353.7k as at 31st March 2008. The impact of the FRS 17 adjustment produces an in year deficit of £269k and overall reserves of £65k.

8.0 Performance

8.1 Corporate Plan Priority Outcomes 2007/08

8.1.1 The 2007/08 latest estimate provided for £17.6m additional resources to be directed towards the Council's corporate priorities and spend in the year amounted to £16.9m. Details of the priorities and performance is provided at Appendix 3, but in overall terms the Council has been successful in directing the planned level of resources to its priorities and in achieving its desired outcomes.

8.2 Local Area Agreement (LAA)

8.2.1 The overall outturn position for the LAA in 2007/08 was £37.0m (including Neighbourhood Renewal Fund [NRF] of £14.9m) compared to a budget of £37.6m (NRF £15.05m). The Schools Development Grant forms £300k of this underspend due to expenditure crossing academic years. LAA Programme Board approved the carry forward of this underspend to the funding stream. Remaining underspends will be used to meet the improvement priority targets within the Leeds Strategic Plan.

8.3 Local Taxation

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

	2004/05 Leeds Actual	2005/06 Leeds Actual	2006/07 Leeds Actual	2007/08 Leeds Actual
Council Tax collection	96.1%	96.3%	96.4%	96.4%
Non Domestic Rates	98.5%	98.6%	98.6%	98.7%

8.3.2 The amount collectable for Council Tax has increased by £14.0m (6.3%), from £221.6m in 2006/07 to £235.6m in 2007/08. Likewise the amount collectable for business rates has increased from £279.9m in 2006/07 to £290.1m in 2007/08.

8.4 Sundry Income

8.4.1 Overall the collection of current year debt and arrears has improved from 87.2% in 2006/07 to 90.1% in 2007/08.

8.4.2 In respect of the current year debt only, the net amount collectable was £124.2 million with a balance outstanding of £12.3m at 31st March 2008. The total cumulative debt outstanding is £13.3m. Unlike Council Tax and Non Domestic rates where the majority of the amount collectable is raised at the start of the year, sundry debt accounts are raised on a monthly basis and the amount of debt raised in any one month can vary significantly. £9.1m of the figure outstanding at the 31st March 2008 was raised during the month of March.

8.5 Prompt Payment

8.5.1 The outturn for the year was 91.6% of undisputed invoices paid within 30 days compared to the local target of 92%.

8.5.2 The total number of invoices processed in the year which met the prompt payment criteria was 567,000. After accounting for 12,444 invoices in query with suppliers, 505,030 were paid within 30 days, leaving 49,526 paid after 30 days.

8.5.3 The function transferred during the year to the Business Support Centre and although there has been no overall improvement in the result when compared to 2006/07, the expansion in the use of purchasing cards and the development of electronic ordering and invoicing of goods should result in an improvement in 2008/09 as the number of paper invoices passing through the Council is reduced further, and the benefits of the centralisation are realised.

8.6 Annual Efficiency Statement – Backward Look

8.6.1 For 2007/08 the Authority had an efficiency target of £17.93m, being 2.5% of the Authority's 2004/05 baseline expenditure. This was calculated on actual spend for 2004/05, excluding schools, police revenue expenditure and specific one off grants.

8.6.2 At least 50% of the target, £8.97m had to be of a cashable nature, whereby resources are released, as opposed to non cashable efficiencies which result from delivering enhanced outputs for the same inputs. Against the target of £17.93m, the Authority submitted a Forward Looking Statement to the Department for Communities and Local Government totalling £12.905m of which £12.26m was deemed to be cashable.

8.6.3 While the 2007/08 Forward Looking Statement was below the in year target, the target is cumulative over a three year period from 1st April 2005. Over this three year period, the Authority was required to deliver efficiencies totalling 7.5% or £51.2m. By 31st March 2007, being the end of the second year of the three year period, the

Authority had delivered efficiencies totalling £53.1m of which £37.04m were of a cashable nature, thereby exceeding the three year total within 2 years. Any further efficiencies delivered during 2007/08 merely extend the amount by which the authority exceeded the three year target.

- 8.6.4 The efficiencies that have been achieved during 2007/08 are to be reported to the DCLG in the form of a Backward Looking Statement that must be submitted by 8th July 2008.
- 8.6.5 Subject to final confirmation, the level of efficiencies in 2007/08 are £13.69m will have been delivered during 2007/08 with £13.32m being of a cashable nature. Therefore the total value of efficiency gains delivered by the Authority over the three year period 2005/06 to 2007/08 is £66.79m, with £50.36m or 75.4% being of a cashable nature. This exceeds the target over the three year period of £51.2m by £15.59m or 30.4%.

9. Recommendations

Members of the Executive Board are asked to:

- 9.1 Note the contents of this report
- 9.2 Agree the transfer of £0.3m to contingency fund in 2008/09, as per para. 3.4.
- 9.3 Agree the addition contributions to and the creation of, earmarked reserves of £3.8m in respect of the HRA as outlined in the HRA report attached at Appendix 1;
- 9.4 Agree the creation of two new General Fund earmarked reserves as outlined in para. 3.5.
- 9.5 Note that right to buy capital receipts that are not required in 2007/08 to fund the HRA capital programme have been used to fund the general fund, thereby reducing borrowing costs with compensating resources to be returned to the HRA programme in 2008/09.

2007/08 OUTTURN POSITION

As shown in the following table the final outturn position has generated a contribution to balances of £3.8m.

HRA	Latest Estimate	Outturn	Variation
	£000	£000	£000
Expenditure			
Employees	10,055	9,294	- 761
Premises	1,732	2,150	418
Supplies and Services	15,375	11,990	- 3,385
Transport	232	240	9
ALMO Management fees	108,794	108,614	- 180
Distribution of ALMO reserve	1,000	1,000	0
Internal Charges/ Transfer payments	8,024	8,924	900
Provision for doubtful debts	1,605	1,594	- 11
disrepair	625	414	- 211
capital	22,764	20,649	-2,115
Housing Subsidy	36,917	40,360	3,442
Income			
Rents and other charges	- 162,160	- 164,416	- 2,256
Other Income	- 44,089	- 45,364	- 1,276
Deficit / (Surplus)	874	- 4,552	- 5,426
Transfer To Swarcliffe PFI	801	2,097	1,296
Transfer to (from) earmarked reserves	- 1,675	-1,350	325
Surplus	0	- 3,805	-3,805

A number of factors have contributed to the year end position. There has been an underspend of £0.9m in the budgets set aside to meet the costs of consultancy and external advisors for the procurement phase of the Little London and Beeston Hill and Holbeck PFI schemes. Also contributing have been an underspend of £0.4m on IT projects due to slippage in programmes, savings of £0.2m in the cost of disrepair through the continued proactive management of claims, and lower valuation and associated costs feeding through from reduced numbers of Right To Buy applications.

Rental income exceeded the budget by £2.2m which reflects both improved void levels and higher levels of stock than anticipated.

Internal charges were higher with additional customer service charges partly offset by lower ICT development charges.

The level of negative subsidy has increased:- £1.9m of the £3.4m increase in negative subsidy relates to the compensation scheme for operating the 5% rent cap and is due to incorrect DCLG figures released in the final subsidy determination for 2007/08. In addition, the level of subsidy received for interest on debt has fallen by £0.8m due to a reduction in the Council's average rate of interest on external borrowing, with a further reduction in subsidy grant of £0.7m arising from lower recoverable premiums and discounts costs.

The HRA's year end position has also benefited by £0.6m from the late announcement by DCLG of additional grant allowances to support the decency programme; this is recognised in the proposed additional contribution to the Decency reserve in paragraph 1.10.

The £2.1m reduction in the cost of capital is due to £0.7m lower premiums and discounts costs, with the remaining reduction attributable to lower Item 8 interest charges arising from the reduction in the Council's average rate of interest on debt and reduced capital expenditure.

Higher levels of work than anticipated resulted in surplus income of £0.6m for the Property Services of the department.

The additional contribution to the Swarcliffe PFI reserve includes £0.252m in respect to the option of right to buy on the scheme as well as £1.04m relating to contract underspends. This additional contribution is a prudent measure to ensure that the future unbudgeted 'pass through costs' (costs which pass back to the Council in relation to tenant works, access refusals, adaptations) can be met from the Swarcliffe PFI reserve. The contract contains a clause that allows funds that are not spent on property improvement due to right to buy to be paid back to the Council. Although no cash will be paid until year 5, proper accounting requires the gain to be recognised as it is identified.

The £1.67m budgeted contribution from earmarked reserves was made up of the £1m agreed reallocation to ALMOs to assist in achieving 3 star status, £0.35m contribution to Little London PFI structural survey costs, £0.2m for environmental works in the Swarcliffe PFI area, and £0.125m to meet the borrowing costs of demolitions in the EASEL area. However, due to slippage on the Swarcliffe environmental works and Easel demolitions, only £1.35m of these opening reserves have been released for the ALMO Inspections and the Little London PFI structural survey to meet their commitments in 2007/08.

It is proposed that for 2007/08, a contribution of £3.8m is made to bring the current level of earmarked reserves to £19.3m as follows:

Earmarked Reserves	Opening Reserves 1/4/2007	Contribution from Reserves	Proposed Contribution to Reserves	Closing Reserves 31/3/2008
	£000	£000		£000
ALMO Inspections	1,000	(1,000)		0
Contribution to Decency Targets	3,850	0	2,004	5,854
Easel Demolition (Borrowing) Costs	500	0		500
PFI Set up Costs	500	(350)		150
Swarcliffe Environmental Works	200	0	100	300
Swarcliffe PFI	8,724	2,097		10,821
Lifetime Homes' Business Preparation	0	0	50	50
PFI Set up costs - Lifetime Homes	0	0	500	500
Re-instating void sheltered properties	0	0	350	350
Underoccupancy pilot	0	0	300	300
Early Leavers' Initiative	0	0	500	500
	14,774	747	3,804	19,325

The effect of the above on HRA working balances is summarised in the table below:

	2007/08 L.E.	Actual	Variation
	£,000	£,000	£,000
Balance Brought Forward	3,712	3,712	
Transfer from / (to) HRA	0	0	0
Balance Carried Forward	3,712	3,712	0

CITY DEVELOPMENT

2007/08 OUTTURN POSITION

Introduction

This report sets out the 2007/08 outturn position for City Development and provides an explanation of the major variations.

Overall Position

The actual outturn position for City Development is an overspend of £1.3m against the Latest Estimate in terms of the controllable budget.

The Directorate has faced a number of significant budget pressures during 2007/08. Over recent years the Parks and Countryside Service has experienced difficulty in maintaining its main income base whilst at the same time facing other pressures in areas such as replacement of plant and machinery and falling Cemeteries and Crematoria income. In recognition of this the Latest Estimate includes additional funding of £1m provided in year for Parks and Countryside.

During the year it also became clear that the economic downturn was having an impact on the Leeds economy, including the property and development market. The Directorate has a significant external income base to achieve and the trend for declining income emerged for various sources of external income such as Planning and Building Fee income, rental income and income from leisure activities. The Directorate did seek to contain these pressures by identifying significant savings in other Services and through a slowdown in general recruitment. However, by the fourth quarter it became clear that such savings would not be sufficient to offset the growing shortfall in income in Planning Services and Sport.

Outturn Explanation

The most significant variations are discussed below:

Recreational Services

The Service has overspent the controllable budget by £1.4m.

After the additional £1m funding, Parks and Countryside spent just over the Latest Estimate. One continuing pressure has been the further decline in income from Cemeteries and Crematoria. The shortfall in 2007/08 being over £100k.

The main element of this outturn variation from the Latest Estimate has occurred in Sport and is largely due to an overspend on staffing of £0.6m and reduced Leisure Centre income of £0.5m. The overspend on staffing is in respect of the cost of the higher pay award and the additional cost of facilities staffing such as coaches and lifeguards to ensure adequate staffing levels to comply with Health and Safety requirements. An additional £100k of expenditure has been incurred for Sport Trust set up costs and the procurement costs relating to the New Leaf PFI Sport Centres. The 2008/09 budget does provide for an increase to the staffing budget, funded through additional income, although there are concerns that the decline in external

income will continue into 2008/09. The Service is currently preparing a budget plan for 2008/09 to address the budget issues that emerged in 2007/08 and an early indication of 2008/09 income trends will be a priority for Sport and Finance staff.

Planning and Development Services

Overall the Service showed a bottom line £1.1m greater than the Latest Estimate. The trend for declining income from Planning and Building fees emerged as early as May 2007 and continued throughout the year. Income was £780k below the Original Estimate although a release of £150k from central contingency meant that the variation to the Latest Estimate was £630k. Other expenditure variations included an additional £110k for the costs of complaints and appeals, additional legal costs of £78k and an increase in the bad debt provision of £208k in relation to accounts raised during the year for work carried out on dangerous structures. The decline in income is a concern and the Service is preparing a budget plan for 2008/09 to look at how the Service can respond to this.

Design Services

Architectural Design Services showed a bottom line £224k greater than the budget. This was due to reduced workloads, particularly in the final quarter. Securing a sufficient workload to meet the Service's overheads and staffing base is a major issue for the Service. Until the last quarter it was projected that there would be sufficient work to enable the Service to achieve the budget but in the final quarter there was a shortfall in the level of work required. Additional external work was secured by the Service but this insufficient to fully offset the reduction in internal work. This will continue to be a key issue in 2008/09 and a review of the future arrangements of ADS has made recommendations as to how the service can be structured, with discussions being held between the Deputy Chief Executive and the Director of City Development.

Highway Services

The Highways Service was formed in 2007/08 as an amalgamation of the former Highway Services, Engineering Services and Urban Traffic Management Control.

The Service has underspent by £1.7m. Savings in the staffing budget account for £641k of the underspend, savings on PFI unitary payments amounted to £222k and savings on central recharges and City Services management and administration charges accounted for £129k. The balance of £800k is mostly accounted for by increased income across the Service. Engineering Services and UTMC both achieved additional external income of approximately £200k.

Highways Services successfully delivered the planned Individual Maintenance Scheme Programme for 2007/08.

Asset Management Services

The Service spent in line with the Latest Estimate. Savings on staffing amounted to £127k. There was a shortfall in Markets income of £294k resulting from an increase in the number of voids at Kirkgate Market and reduced income from the Sunday Market. The Markets income shortfall is a concern for the 2008/09 budget. Advertising income was £85k below the Latest Estimate, after a release of £150k

from central contingency. Income from Surveyor and legal fees exceeded the budget by £161k but this was offset by additional costs from legal charges.

Economic Services

The Service spent £0.4m less than the Latest Estimate. The staffing budget was underspent by £77k. Additional external income of £349k was secured by the Service from Yorkshire Forward and developer contributions for Eastgate and Harewood, Rothwell and Trinity Quarter developments.

Libraries, Arts and Heritage

The Service has spent within the Latest Estimate. Savings against the staffing budgets for Heritage and Library Services have offset other expenditure pressures. Across the Service income targets have largely been achieved although there was a shortfall in Heritage Services.

Strategy and Policy

The Service has underspent by just over a £100k. A small overspend on staffing and a shortfall on income from the graphics service has been more than offset by additional external income of £220k.

Support Services

Overall the Service overspent by £0.4m. This Service comprises Support Services from the former Learning and Leisure and Development Departments and includes Services such as Property Management, Marketing, Finance, HR, Performance Management and Directorate Support. The major variances were overspends on Legal charges and savings not fully delivered across all services within the former Learning and Leisure Department.

ENVIRONMENT AND NEIGHBOURHOODS

2007/2008 OUTTURN POSITION

Introduction

This report sets out the 2007/2008 outturn position for the Environment and Neighbourhoods Directorate and provides an explanation of the major variations.

The actual outturn position for Environment and Neighbourhoods is an underspend of £3.25m against the Latest Estimate in terms of the controllable budget.

The most significant variations are discussed below.

Community Safety (£23 Cr)

Due to a number of vacant posts across the service staffing savings of £192k, and additional CCTV income of £47k have helped to offset additional expenditure on premises (£120k) and legal and compensation payments (£69k).

Housing Services (£565k Cr)

Against the background of implementing case resolution in the asylum service, an underspend of £325k was largely due to the level of income receivable being higher than had been budgeted for.

Additional income generated through charges for the use of premises (£149k) plus net savings of £79k on CareRing, generated through an underspend on unsupported borrowing provision and an underspend on a contingency (£116k), combined to offset an overspend on hostels which was due to additional maintenance works and management fee payments (£177k).

Roseville (£278k Cr)

Whilst the budgeted target for the number of doors to be produced was not achieved, 98% of the production target was achieved, the release of £500k of General Reserves helped contribute towards an improved outturn position.

Regeneration (£221k Cr)

This variation was largely due to delays in the implementation of the new structure which generated staffing savings of £308k although some of this was the effect of a reduction in grant (£109k) which would have been used to fund specific posts.

In addition there was an underspend of £499k on the Area Well Being budget, which will be carried forward into 2008/2009.

Jobs & Skills (£226k Dr)

Variations in grant income, largely in respect of European Social Fund, were offset by corresponding reductions in expenditure and the identification of alternative funding sources.

Community Centres (£361k Cr)

The underspend is due to additional rent and lettings income of £244k, largely from the Youth Service, and a £121k saving on recharges from the Facilities Management function who manage the service on behalf of the Directorate.

Former Neighbourhoods and Housing Support Services (£137k Cr)

The outturn variation has been generated through a combination of staffing and running cost savings.

Environmental Health (£559k Cr)

A number of vacant staffing posts across the service resulted in savings of £98k. In addition cost savings (£233k) associated with the delivery of the licencing functions associated with Public Entertainment and Housing in Multiple Occupation (HMOs), along with income associated with the implementation of the Smoke Free legislation, and additional fee income from Adaptations and Group Repairs (£387k) helped to offset the overspend on Aviair Asbestos payments (£177k).

Refuse Collection Service (£129k Dr)

An overspend on staffing costs (£175k), largely associated with the vehicle checks, have been offset by savings on transport, premises and support costs (£46k).

Street Cleansing (£136k Dr)

Additional expenditure on the cleaning of Arterial Routes into the City (£76k) and disposal costs associated with street waste (£119k) was offset by a number of other running cost savings across the service (£59k)

Anti-Graffiti and Public Conveniences (£80k Cr)

Due to delays in the implementation of a Public Conveniences strategy, there was a saving of £70k on the budget provided for automatic PCs in the City Centre.

Waste Operations (£23k Dr)

Additional expenditure on staffing (£27k) and security at Household Waste sites (£140k) was offset by additional income from trade collection and disposal charges (£96k) and savings on transport (£31k).

Waste Strategy (£224k Cr)

Continued reductions in waste arisings generated savings of £266k in disposal costs and combined with savings on both staffing (£64k), running costs and additional income (£99k), helped to offset the reduction in income of £205k received from electricity generation at the closed landfill site at Gamblethorpe.

Enforcement (£149k Cr)

The outturn variation was due to staffing savings from vacant posts (£49k) and additional income for licensing (£48k) and the recovery of court costs resulting from successful prosecutions. (£46k).

Car Parking (£1,160k Cr)

Additional Car Parking income of £741k is due to increased use of facilities and the impact of slippage in the Authority's asset disposal programme which resulted in the car park at Quarry Hill site being available for the whole of 2007/08. In addition improved recovery of Parking enforcement income resulted in a reduction in the bad debt provision (£243k), and there were staff savings of £132k from vacant posts.

CHILDREN'S SERVICES

2007/08 OUTTURN EXPLANATIONS

Overall Summary

The outturn position for Children's Services is an overspend of £0.615m.

Outturn Explanation

Children & Young People's Social Care

There were significant pressures in the Children & Young People's Social Care budget in 2007/08 with particular pressures on the Fieldwork and External Placements budgets. Overall, the initial adverse variance of £4.66m was reduced by in-year additional funding injections of £2.1m and a reallocation of support function costs between Adult and Children's Social Care Services which resulted in a reduction to Children's Social Care of £0.64m to give a final outturn variance of £1.93m.

There was pressure in the Commissioning and Social Work budget with a £0.41m overspend on social work staffing (net of £1.0m additional funding), a £0.6m pressure due to charges for legal costs and £0.1m on the cost of transport for children & young people.

The inherent pressure on the externally provided residential placements budget (£644k) and the increased use of independent sector fostering agencies (£958k) generated an overspend of £1.6m which was mitigated by additional in-year funding of £1.1m to give an outturn variance of £0.5m. In addition, there was also an overspend of £0.29m across the in-house residential homes on staffing (£0.147m) and running costs (£0.141k).

The cost of support to Care Leavers represented a significant budgetary pressure with an overspend of £0.15m on staffing and £0.64m on the direct costs (rent, payments to care leavers, etc).

Early Years

The 2007/08 financial year has been a further period of investment across Early Years. The Service was successful in securing £3.7 million Central Government pathfinder funding to extend the free nursery education entitlement for 3 and 4 year olds from 12 ½ to 15 hours and £0.7 million funding to pilot the impact of vulnerable 2 year old children receiving 7 ½ hours of free nursery education. In addition the Service invested £8.3 million capital in 2007-08 developing an additional 26 Children's Centres. Across all budgets, the Service generated an underspend by £1.0m, mainly as a result of savings on staffing budgets arising from delays in recruitment and also general recruitment and retention issues.

ADULT SOCIAL CARE
2007/08 OUTTURN EXPLANATION

Context and Overall Position

- The 2007/08 budget included planned savings of £11.1m, in addition to the £42.2m included within the budgets for the previous two years
- The outturn position is an underspend of £0.3m compared with the Latest Estimate
- An additional contribution to the learning disability pooled budget of £0.34m was received from the PCT in 2007/08. This has been transferred to an earmarked reserve as the PCT contribution to the pooled budget will be reduced by an equivalent amount in 2008/09.
- Additional funding of £1.9m was provided in-year, so the overall position compared with the Original Estimate is an overspend of £1.6m
- This overspend of £1.6m against the Original Estimate demonstrates a continuing improvement compared with the previous three financial years as the table below illustrates:

	Overspend
2007/08	£1.6m
2006/07	£4.1m
2005/06	£5.2m
2004/05	£8.9m

Outturn Explanation

- Achievement of budgeted savings in 2007/08 was slightly higher at 73% (£8.1m) than in previous years. The main areas where significant savings have been achieved this year are Supporting People (£1.8m), other adults service delivery (£1.6m), home care (£1.5m), other adults service transformation (£1m) and the learning disability pooled budget (£0.9m).
- Although substantial savings were delivered, there has been slippage amounting to £3m that has impacted on the overall outturn position. The main areas are home care (£0.6m), day care (£0.6m), meals (£0.5m) and learning disability services (£1.1m).
- Demographic pressures have continued to impact on Adult Social Care. Although £0.2m of the £1.3m additional funding provided in-year for the learning disability pooled budget was not utilised, the spend on direct payments exceeded the £0.6m additional funding by £0.5m.
- These pressures have been more than offset by savings, some achieved through contingency and other actions being taken and some resulting from events that were not anticipated when the budget was set. Some of these savings are also non-recurring.

- Employees expenditure has exceeded budget provision by £0.7m, but there are several aspects to this position. Some of the significant slippage in delivering planned savings outlined above manifests itself within the pay budget, particularly in respect of home care, day care and the directly provided learning disability service. Increased costs of £0.6m relate to retirements, mainly due to workforce strategies to deliver budgeted savings. Elsewhere within the pay budget, however, contingency savings amounting to £1.2m have been delivered. This has mainly been achieved by budget holders retaining underspends to help balance the overall pay budget. Over £1m of this has come from Commissioning and Support Services, mirroring the trend of previous years although to a lesser degree.
- Pay overspends within the directly provided home care service have been offset by savings of £1m within the independent sector domiciliary care budget. Although progress on delivering a rebalanced home care service across the two sectors has been slower than originally anticipated, the overall home care budget for 2007/08 underspent by £0.5m, some of which may reflect the growth in direct payments.
- Savings of £0.9m were achieved within the community care placement budget, including PCT income. Of this £0.4m relates to the estimated impact in 2007/08 of the revised criteria for fully-funded NHS care being backdated to 1st October 2007, which was not anticipated when the 2007/08 budget was set.
- Additional service user income of £0.6m was achieved during the year, mainly by working with the Department for Works and Pensions to secure backdated awards of disability benefits. Although there will be some ongoing impact in future years, the majority represents the non-recurring backdating element.

RESOURCES

2007/08 OUTTURN EXPLANATION

Overall Position

- The projected underspend is £58k against the Latest Estimate.
- The variation to the Original Estimate is £259k as £300k was released into the Schools Meals budget during the year.

Outturn Explanations:

- Planned budgeted savings of £679k have been achieved by services within Resources, in particular within the area of Housing Benefits Administration.
- Overall savings in pay budgets amounted to c£600k mainly due to restraint exercised in the last 6 months of the year in filling posts in anticipation of the overall financial position and savings requirements for the 2008/09 budget.
- Resources have led on a number of changes affecting support services. Not least has been the further migration of services (Creditor Payments plus HR and Recruitment Admin) into the Business Support Centre. These changes have been achieved within existing budgets. The Recruitment Service has also delivered savings of £289k external recruitment spend compared to 2006/07 spend levels.
- Fundamental changes to the Council's HR service have taken place. Overheads have not been fully recovered during this transition and the total overspend is £223k. However, some of this will have been recovered in directorate budgets. Going forward there is a clear plan in place to ensure the new HR service continues to reduce costs during 2008/09 and meets its 10% savings target by April 2009.
- In overall terms ICT showed an overspend of £188k. The budgeted additional income from Innovations Leeds did not come to fruition, leading to a net shortfall of £313k. However this was offset by staffing savings elsewhere in the service.
- Commercial Services has spent £408k above the Latest Estimate and by £708k against the Original Estimate (£300k release agreed during year by Executive Board). The reason has been the reduction in school meal numbers combined with increases in food and preparation costs. This represents a significant budget issue going forward which has been partially eased by £835k government ('lunch') grant into this account in 2008/09 and similar amounts for the following two years.
- Leeds Learning Network started the year with an opening balance of £302k and made an in year trading surplus of £207k. An additional contribution to capital of £400k to fund the prudential borrowing costs of the recent change in supplier and enhancements to the service means that the closing balance (reserve to be carried forward into 2008/09) is £109k.

CHIEF EXECUTIVES

2007/08 OUTTURN EXPLANATION

Overall Position

- The projected overspend of £107k against the Latest Estimate, comprised as follows:

	£000's
Corporate Governance,	(-57)
Policy, Planning and Improvement	309
PPP Unit	(145)
	<u>107</u>

- The variation to the Original Estimate is £463k as £356k from contingency in respect of Elections was released into the budget during the year.

Outturn Explanations:

Corporate Governance

- The additional requirements of the Electoral Administration Act, in particular the cost of postal voting and canvassing, have caused an overspend of £180k (after release of £356k from the contingency fund). Unfortunately this will also impact on future years as well.
- Other variations, mainly income for Professional Legal Services amounted to a £135k excess of income over expenditure.
- Planned budget savings of £126k were achieved and un-budgeted Peer Support grant in the Corporate Procurement Unit totalled £102k.

Policy, Performance and Improvement

- Only £65k of a budgeted £175k savings in Customer Services were achieved, due to in year pressures including further development of the 'Academy', additional legal costs and loss of ALMO income. In addition, variations mainly on overtime and agency across the whole of Customer Services resulted in an overall overspend of £182k.
- A number of unavoidable corporate costs, arising throughout the year amounting to £113k such as additional costs relating to the Association of West Yorkshire Authorities.

PPP Unit

- An underspend of £145k within the PPP Unit related to staffing budgets.

STRATEGIC ACCOUNTS

2007/08 OUTTURN EXPLANATIONS

Context

Strategic Accounts include a variety of budgets including central income, debt costs of the authority, contributions to Joint Committees and Other Bodies and central efficiency budgets.

Overall Position

The outturn position variation against the Latest Estimate for Strategic Accounts is an underspend of £2.2m, comprising a £7.3m underspend on debt and a £5.1m overspend on other Strategic budgets.

Outturn Explanation

The major variances are as follows:

- The Government has announced the year three (2007) allocation of Local Authority Business Growth Incentive (LABGI) scheme. They have withheld £100m as a contingency against future judicial reviews and have scaled back allocations to individual authorities at 28.4% of what they would have been without scaling. The effect of this adjustment for Leeds is a reduction of £6.3m from the budgeted figure. The grand total received through the scheme over the three years is £18.7m.
- During the year savings in the level of interest and MRP payable, plus additional interest on revenue balances amounted to £11.5m. As agreed by Board at month 3, £4.2m of these savings were transferred to reserves, giving a year end variation on debt of £7.3m.
- The cost of the in year provision in respect of the pay and grading review was £7.2m, although within services there was budgetary provision for £2.7m. This additional cost is to be met from general reserves.
- As a result of the successful challenges to the legislation introduced in 1997 to cap VAT claims to three years, the authority has successfully claimed for VAT due dating back to 1974. This has resulted in additional income of £0.9m.
- The budget held centrally for contingencies allocated £6.4m to fund departmental pressures, which was £0.6m in excess of the Latest Estimate.
- The additional section 278 and capital reserve monies released to revenue was £1.1m greater than had been estimated for.
- During the year Leeds Bradford International Airport repaid loans to the authority. Premiums due on these loans amounted to £1.1m additional income.
- The sum of other minor variances amounted to £0.6m
- Additional £0.8m lump sum receipt from the sale of the Leeds Bradford Airport to meet future pension obligations of the airport employees. This income has been transferred to an earmarked reserve and as such has no impact on the Council's bottom line.