



Report of the Director of Resources

Executive Board

Date: 2nd September 2008

Subject: Financial Health Monitoring 2008/09 – First 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 three months of the financial year in respect of the revenue budget and the housing revenue account.
2. The report identifies a number of pressures, many of which impacted on the 2007/08 outturn particularly affecting income and demand led budgets. Directorates have already developed and implemented action plans but nevertheless are still projecting an overspend of £4.2m at this stage.
3. The report identifies other potential council wide pressures not included in directorates, although funding sources for these have been identified.
4. Members are asked to note the projected financial position of the authority after three months of the financial year together with the impact on reserves should directorate spending not be maintained within approved estimates.

1. PURPOSE OF REPORT

- 1.1 This report sets out for the Board the Council's financial health position for 2008/09 after three 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 work towards achieving a balanced projected 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.

2. BACKGROUND INFORMATION

- 2.1 Members will recall that the net budget¹ for the general fund was set at £540.5m, which provided for a contribution of £5.1m from reserves. As a result, the level of general fund reserves at 31st March 2009 are estimated to be £12.0m.
- 2.2. As reported in the 2007/08 outturn report² to Board in June 2008, the net contribution to General Fund reserves was £0.3m in excess of the budget and Board approved the transfer of this to bolster the 2008/09 Contingency Fund.
- 2.3 Budget Monitoring is a continuous process throughout the year, and this report reviews the position of the budget after three months and comments on the key issues impacting on the overall achievement of the budget for the current year.

3. MAIN ISSUES

- 3.1 After three months of the new financial year, directorates are projecting an overspend of £4.2m. It is important that budget pressures are addressed by directorates who are required to continue to develop and implement action plans to manage their pressures within available resources. The extent to which action plans are not effective in containing spending within approved estimates will impact on the Council's reserves, which are already estimated to be at the minimum level required under the risk based reserves strategy.

The main variations are as follows:

Income Shortfalls

- 3.1.1 The economic slowdown continues to have a significant impact on a number of external income sources. Within the City Development directorate rental, markets and surveyors income are projecting a shortfall of £1.2m, and Planning and Building Fees £0.5m.

In addition, Sport income is projected to be £0.4m below the estimate. An action plan has been developed to address some of the immediate budget issues within the service, and this includes the closure of two loss making bars within leisure centres, and a refocus of cafe provision within leisure centres.

- 3.1.2 The Environment and Neighbourhoods budget assumed income from the sale of surplus Landfill Allowance Trading Scheme allowances of £0.6m for which there is currently no market.
- 3.1.3 The number of land searches are continuing to decline and the net effect of this is a projected overspend of £0.5m.

- 3.1.4 Within Adults Social Care, there is a risk that the budgeted Supporting People funding for older people may not be achieved in full. However an action plan has been developed to mitigate against this risk and the current projection assumes this action plan will be achieved.

Demand Pressures

- 3.1.5 Within Children's Services, Outside Placement costs are projected to overspend by £1.4m, both in terms of residential placements and placements with independent fostering agencies. The cost of Public Law fees is £0.5m higher than the funding allocated from the government.
- 3.1.6 Increased spend on direct payments within Adults Social Care is partly offset by reduced residential and nursing care, giving a net projected overspend of £0.2m.
- 3.1.7 An increased demand for temporary accommodation and the Care Ring service is projected at £0.3m within Environment and Neighbourhoods.
- 3.1.8 As a result of the additional statutory requirements of the Electoral Administration Act, in 2006/07 Government funding of 53p per elector was added to the Formula Grant. This equated to £265k and was built into the base budget. However, the Elections Service is projecting to be £0.4m overspent mainly due to the cost of postal voting, extended polling hours, doorstep canvassing and the significant costs associated with the hiring of portacabins for use as polling stations.

Staffing

- 3.1.9 The overall staffing projection is a saving of £2.9m. Of this, £1.1m is within Children's Services, £0.8m within Adults Social Care and £0.7m within Resources.

Other

- 3.1.10 The above projections do not include other potential pressures relating to the cost of the additional pay award over the 2% provided for in the budget and the impact of a price increase in the gas contract which are yet to be finalised. The impact of these is projected to be around £3.5m in 2008/09.
- 3.1.11 Further debt savings of £2.4m have been achieved through proactive treasury management and interest on revenue balances. In addition, it is likely that the Council will receive a share of the £100m contingency for LABGI which the government retained, pending of the outcome of legal challenges. This could be up to £2m and it is proposed that these sources of additional income will be used to offset the impact of the additional pay award and gas contract increase.

4. HOUSING REVENUE ACCOUNT

- 4.1 At the end of the first quarter, the HRA is projecting an underspend of £1.777m.
- 4.2 Void levels for the first three months are around 1.5%, which if maintained should generate additional rental income of £1.3m; the corollary of this is that £0.7m of this income will be paid over to the ALMOs as additional incentive payments. The fall in Right to Buy (RTB) numbers during 200708 has also resulted in higher opening

property numbers than budgeted, and this factor together with the continued decline in RTB numbers projects further contributions to rental income of £1.5m.

- 4.3 A one off payment of £0.2m will be paid to the ALMOs to compensate for additional SLA cleaning costs.
- 4.4 The compression of the timetable for the Little London and Beeston & Holbeck PFI schemes may result in budgetary pressures this year. Additional resources of around £0.5m may be required this year to facilitate the joint procurement of these two PFI schemes e.g. planning fees, site costs etc.
- 4.5 Based upon write-offs and arrears levels in quarter one, early indications for the bad debts provision suggest £1.3m may be required against the budgeted figure of £1.575m, a projected underspend of £0.3m.
- 4.6 The creation of earmarked reserves of £550k for Lifetime Homes was approved by Executive Board on 11th June 2008² to meet the business preparation and PFI set up costs for round 6 PFI funding. Executive Board are requested to release these resources in order that they can be utilised to resource the work required to submit an Expression of Interest to DCLG by the end of October.

5. SCHOOLS

- 5.1 School reserves stood at £12.4m as at 31st March 2008. This comprised overall surpluses of £10.4m in primary, £1.7m in secondary and £0.3m in special schools. The average Primary School balance is 5.6% of the school budget and the average Secondary school balance is 0.9%. Excess individual school surpluses above specified limits are subject to clawback and redistribution to the other schools. However, within these overall surpluses there are some individual schools with deficit balances.
- 5.2 Schools which had deficits at the close of 2007/08 and were planning to set a deficit budget for 2008/09 are required to submit an action plan detailing how they intend to achieve a balanced position within three years. Most of these have now been submitted to Education Leeds and are currently being evaluated for their viability and will require approval of the Director of Resources in accordance with the agreed arrangements.

6. PERFORMANCE STATISTICS¹

- 6.1 The level of Council Tax collected at the end of June 2008 is 28.29% of the debit for the year of £240.2m. This is slightly behind the same period last year due to more clients choosing to pay over 12 months instead of 10. The target set by Executive Board for the year is 96.65% and performance against this is being closely monitored.
- 6.2 The collection of non-domestic rates for the first three months is 33.82% of the current net debit of £320.1m, which is slightly ahead of the same period last year. Again, performance against the target of 98.6% is being closely monitored.
- 6.3 In terms of Sundry income collection rate at the end of June is 81.3% of the amount due of £16.6m. This is slightly down on last year's figure of 83.8%. As with the other targets this is being closely monitored and there is no concern at this stage that the target will not be met.

- 6.4 A local target of 92% for paying all undisputed invoices within 30 days of receipt of agreed terms was set for the year. Due to the workload involved in conversion of the creditors system to a fully web based system the prompt payment performance statistics for 1st April 2008 to 27th June 2008 are lower than target at 88.2%. However, it is anticipated that improvements to the creditors function and expanding the use of purchasing cards will improve performance.
- 6.5 The total number of undisputed invoices processed in the period which meet the prompt payment criteria was 128,462, of which 113,230 were paid promptly.

7. RECOMMENDATION

- 7.1 Members of the Executive Board are asked to
- Note the projected financial position of the authority after three months of the new financial year
 - Request that directorates continue to develop and implement action plans.
 - Release £550k earmarked reserve for Lifetime Homes as detailed in paragraph 4.6 above.

BACKGROUND

¹ Revenue Budget and Council Tax 2008/09 – report to Executive Board 8th February 2008

² Financial Performance – Outturn 2007/08 – report to Executive Board 11th June 2008

Other working papers available from the originator