



Report of the Director of Resources

Executive Board

Date: 17th June 2009

Subject: FINANCIAL PERFORMANCE – OUTTURN 2008/09

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

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

Executive Summary

This report presents the Council's financial performance for the year ending 31st March 2009, prior to the approval of the annual accounts by the Corporate Governance and Audit Committee and external audit scrutiny.

As previously reported to Executive Board, the economic downturn has had a significant impact and a number of General Fund services have faced significant financial pressures during 2008/09. However, the overall position is an underspend of £4.8m which results in general fund reserves of £16.8m at the end of 2008/09. 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 £3.66m, which it is proposed to transfer to earmarked reserves. The level of general HRA reserves remains unchanged at £3.71m. Full details of the variations and the contributions to reserves are contained in the HRA report attached.

Spending on capital investment was £39.8m less than programmed. An underspend of £43.0m relates to general fund services, with an overspend of £3.2m on the HRA.

Other areas of year end financial performance reported include schools reserves, subsidiary companies, 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 2008/09, 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 and ALMOs.
- 1.2 The report also highlights the position regarding other key financial health indicators including Council Tax and NNDR collection statistics, Sundry Income, and prompt payments.
- 1.3 The 2008/09 Statement of Accounts will be presented to the Corporate Governance and Audit Committee for approval on the 30th June 2009 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 2009.
- 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.
- 1.7 It should be noted that in accordance with proper accounting practice, any significant event which occurs prior to the audit sign - off of the accounts in September 2009, could impact on the Council's final published outturn position. For example a court ruling which increases the council's liability for an insurance claim would require further expenditure to be charged to the income and expenditure account and would affect the amount transferred to general reserves. This is known as a post balance sheet event. Should such an event occur, this will be reported back to Corporate Governance and Audit Committee as part of the approval of the final accounts, and reported back to this Board at the earliest opportunity.

2. Background Information

- 2.1 Members will recall that the net budgetⁱ 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 were estimated to be £12.0m when the budget was agreed.
- 2.2. As reported in the 2007/08 outturn reportⁱⁱ to Board in June 2008, actual general fund reserves available were £12.3m. However, as £12m was the level deemed capable of covering the estimated financial risk of the authority by the risk based reserves policy, £0.3m was used to bolster the 2008/09 contingency fund, maintaining the balance carried forward to 2008/09 at £12m.

3. General Fund Outturn

- 3.1 The 2008/09 financial year has presented a significant challenge, with the Council having to meet increasing cost pressures, generate efficiencies and maintain key front line services whilst dealing with the impact of the economic downturn.
- 3.2 However, through careful financial management and some significant one-off income, it has been possible to generate a £4.8m underspend at outturn compared to the budget. Although spending variations are fully explained in the individual directorate reports which are attached to this report as Appendix 1, a number of significant factors have contributed to the final position:
- 3.3 Additional income and savings totalling £15.8m were generated in year from a number of sources:
- Savings on debt charges of £5.9m have been achieved through proactive treasury management and interest on revenue balances.
 - The Council received Local Authority Business Growth Incentive (LABGI) income of £2m as its share of £100m withheld by the government pending the outcome of legal challenges from 2007/08.
 - Expenditure of £1.6m in respect of anti social behaviour and noise nuisance on Council estates was identified as being more appropriately charged to the Housing Revenue Account, resulting in a saving to the general fund of the same amount.
 - A claim relating to overpaid VAT within Sport and Culture, due to EU law not being properly implemented in the UK in the early 1990s, is expected to be upheld, giving a potential refund of £6.3m including interest payments.
- 3.4 These have been offset by additional spending pressures of £11.3m identified in year, some of which were a direct consequence of the economic downturn:
- The 2008/09 pay award was agreed at 2.75% which resulted in additional costs to the general fund of £3.1m. The budget provided for a 2% increase.
 - A shortfall in external income sources of £4.6m as a result of the economic recession. This primarily relates to City Development services including planning and building fees, rental income, markets income, surveyor and legal fees. In addition there has been a decline in the number of land searches.
 - A shortfall in Section 278 income of £2m which reflected a number of schemes that have either stopped or slipped due to the current economic conditions. It is anticipated that a similar situation will occur in 2009/10.
 - The Council's Insurance Fund has been increased by £1.1m reflecting a reassessment of all outstanding large claims.
 - Calls on the contingency fund have resulted in a small overspend of £0.5m compared to the budget of £4.5m. Full details are included in Appendix 2.
- 3.5 The following table provides a summary of variations by directorate:

Directorate	2008/09			
	Original Estimate* £m	Latest Estimate £m	Outturn £m	Variance from Latest Estimate £m
Adults Social Care	173.9	174.5	174.9	0.4
Children's Services	145	145.3	145.6	0.3
City Development	75.2	76.5	78.3	1.8
Environment & Neighbourhoods	81.2	82.1	80.6	-1.5
Central & Corporate functions	67.2	67.7	68.0	0.3
Strategic incl. Debt Charges	3.1	-0.2	-7.6	-7.4
Transfers to earmarked reserves			1.3	1.3
Net Cost of Departmental Spending	545.6	545.9	541.1	-4.8

* adjusted for technical transfers

- 3.6 The Latest Estimate reflects a £3.9m virement approved as part of the half year Financial Health Monitoring reportⁱⁱⁱ to fund the effect of a 0.45% increase in the pay award of £2m (although not the further 0.3% awarded at arbitration at a late stage in the year for NJC staff), the impact of the new gas contract of £0.9m, the new street lighting energy contract of £0.45m and a £0.6m shortfall in income from the Landfill Allowance Trading Scheme.
- 3.7 In addition, the outturn position in respect of Area Based Grants was an underspend of £1.5m compared to the budget of £50.9m. It is proposed to carry forward £1.3m to an earmarked reserve to fund specific schemes where projects have slipped and funding will be required to deliver the scheme outcomes in 2009/10.
- 3.8 It is proposed to transfer the overall underspend of £4.8m to general fund reserves giving a balance at 31st March 2009 of £16.8m, as shown below:

	2008/09	
	Original Estimate £m	Actual £m
General Fund Reserve		
Balance at 31.3.08	17.4	17.4
Budgeted Use of Reserves	-5.1	-5.1
Agreed transfer to contingency fund	-0.3	-0.3
2008/09 underspend		4.8
Balance carried forward at 31.3.09	12.0	16.8

- 3.9 Whilst the level of general fund reserves now carried forward is more than the risk based level assumed in the budget, in view of the present uncertain economic circumstances and the unknown final outcome of the Council's VAT claim as set out in paragraph 3.3, it is appropriate that the Council maintains a higher level of reserves at this stage.
- 3.10 A full statement of all Reserves can be found at Appendix 3.

4. Housing Revenue Account

4.1 The outturn position on the Housing Revenue Account (HRA) shows an additional in-year surplus of £3.66m. 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 2009 Capital Programme^{iv} estimated capital expenditure in 2008/09 to be £354.7m, £241.3m for the general fund and £113.4m for Housing. Resources were estimated to be sufficient to fund this level of expenditure.

5.2 The actual capital expenditure in 2008/09 is £314.8m 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	Feb 09 Estimate £000	Estimate (Adjusted) £000	Outturn £000	Variation (outturn to Adj Est)	
				£000	%
City Development	98,124	99,512	87,758	-11,754	-11.8
Children's Services	8,967	9,009	4,875	-4,134	-45.9
Environment & Neighbourhoods**	24,293	27,026	28,116	1,090	4.0
Adult Services	4,927	5,547	4,199	-1,348	-24.3
Strategic Accounts	16,196	8,801	12,914	4,113	46.7
Education	77,717	78,163	49,605	-28,558	-36.5
Central & Corporate Functions *	12,358	14,214	10,558	-3,656	-25.7
Reserve schemes (includes SDF)	-1,277	-1,277	0.0	1,277	100.0
Total Spend	241,305	240,995	198,025	-42,970	-17.8

* Central and Corporate includes spend of £4.5m relating to Equal Pay costs.

** Environment & Neighbourhoods excludes £52k estimate and actual 2008/09 spend of £837.2k relating to the Golden Triangle project.

£258k of estimate provision included in the Feb 09 estimate relates to the vehicle and equipment programmes, funding for which has been transferred from General Fund to HRA and is reflected in the adjusted estimate column.

5.4 Housing Revenue Account Capital Spend

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

HRA	Feb 09 Estimate £000	Estimate (Adjusted) £000	Outturn £000	Variation	
				£000	%
Strategic Landlord	1,861	1,861	2,780	919	49.4
ALMOS	111,505	111,762	114,022	2,260	2.0
Total Spend	113,366	113,623	116,802	3,179	2.8

5.5 Capital Resources

5.5.1 Capital resources to fund the programme have varied. Capital receipts achieved totaled £15.1m, including useable capital receipts from right to buy sales of £1.7m, £1.9m relates to sale of HRA land and £2.2m final receipts from 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. £2.7m of HRA capital receipts have been utilised by General Fund (£1.2m of which will be repaid to HRA reserves in future years).

5.5.3 Overall capital receipts are lower than 2007/08 due to the following,

- One of capital receipts included in the 2007/08 capital receipts total related to the sale of Leeds & Bradford Airport
- General economic downturn and reduction in property values affecting sales values and the actual number of disposals.

5.5.4 ALMO's are having to use their accumulated and in year MRA resources in order to fund their programmes because of the reduction in their Supported Capital Expenditure (SCA). In addition the ALMO's have utilised £22.1m of reserves and revenue contributions in order to support their programmes.

Details of the overall expenditure and financing position are shown below:

	£m
Net Capital Spend	314.8
Financed by	
Specific Grants and Contributions	94.5
Capital Receipts	15.1
MRA	62.9
Borrowing	117.4
Revenue Contributions \ Reserves	24.9
Total Funding	314.8

6. Schools

6.1 The outturn on the Individual Schools Budget for 2008/09 was:-

Outturn	£m
Latest estimate	362.9
Outturn	361.5
Variation	(1.4)
Schools Reserves	
Balance Brought Forward	12.4
Net Contribution to Reserves	1.4
Balance Carried Forward	13.8
Memorandum :	
Extended Schools Reserve	3.9

- 6.2 As can be seen from the above table, mainstream school reserves stand at £13.8m. As schools are funded from the Dedicated Schools Grant, the balances are ring fenced and must be carried forward. Extended school reserves amount to £3.9m.
- 6.3 However, the cost of Voluntary Early Retirements are funded by borrowing against mainstream school reserves and repaid over a 5-year period. During 2008/09, £1.5m has been repaid. The total amount still awaiting repayment amounts to £2.7m (£1.8m from previous years and £0.9m from 2008/09).
- 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 previous three financial years, and repayment will be made over the life of the PFI contracts. In 2008/09, £1.3m of PFI development costs have been initially funded by borrowing from school balances with repayment being made over a ten year cycle.
- 6.5 Taking account of the £2.7m net VER borrowing (para 6.3) and £3.7m BSF borrowing (para 6.4), the net mainstream schools reserves position is £7.4m as at 31st March 2009. Extended schools reserves stand at £3.9m.
- 6.6 Dedicated Schools Grant (DSG) is a ring-fenced grant so that any net savings on Central Schools Budget (CSB) services funded from DSG are carried forward as an earmarked reserve and are available to fund Schools Budget activity in future years. At the close of 2008/09 CSB reserves amounted to £4.4m, primarily due to Schools Contingency, £2.3m, savings on Education Leeds contract payments for the delivery of CSB services, £1.5m, and net savings on Recoupment, £0.3m.

7. Other Financial Results

7.1 Education Leeds

- 7.1.1 Education Leeds have now reported their financial position for 2008/09 (subject to audit and their Board's approval) and this shows a surplus of £0.3m. This leaves Education Leeds with accumulated surpluses of £3.4m at the close of 2008/09. Projected levels of operating surpluses were taken into account when determining the contract value for 2009/10 and £1.1m of operating surpluses were agreed as being required to support the 2009/10 Education Leeds budget. The £3.4m level of reserves would therefore be enough to sustain this position for three years.

7.2 ALMOs

- 7.2.1 Overall the three ALMOs broke even for the year, although Aire Valley Homes Ltd made a £3.9m contribution to capital to cover the in year overspend. This overall in year deficit leaves Reserves at £24.7m as at 31st March 2009. Included in this figure is £12.4m in respect of FRS17 pensions giving a general reserve position of £12.3m.
- 7.2.2 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 Ltd made an operating deficit of £213k before accounting for the FRS17 adjustment, leaving the company with an unrestricted funds reserve of £152.8k as at 31st March 2009. The impact of the FRS 17 adjustment produces an in year deficit of £306.9k and overall reserves of £58.8k.

8.0 Other Financial Performance

8.1 Local Taxation

8.1.1 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	2008/09 Leeds Actual
Council Tax collection	96.1%	96.3%	96.4%	96.4%	96.3%
Non Domestic Rates	98.5%	98.6%	98.6%	98.7%	97.7%

8.1.2 Whilst the figures for both Council Tax and Non Domestic Rate collection show a decline in collection rates, this is due to the current economic climate where it has become apparent that an increasing number of taxpayers and businesses are finding difficulty in paying. However, in both cases, as the amount collectable has increased over the previous year, the overall amount collected in-year has still increased by £38m.

8.2 Sundry Income

8.2.1 Overall the collection of current year debt and arrears has improved from 90.1% in 2007/08 to 90.7% in 2008/09.

8.2.2 In respect of the current year debt only, the net amount collectable was £115.1m with a balance outstanding of £10.5m at 31st March 2009. The total cumulative debt outstanding is £11.5m.

8.3 Prompt Payments

8.3.1 The outturn for the year was 83.5% of undisputed invoices paid within 30 days compared to the target of 92%.

8.3.2 The total number of invoices processed in the year which met the prompt payment criteria was 521,744. After accounting for 9561 invoices in query with suppliers, 421,780 were paid within 30 days, leaving 86,524 paid after 30 days.

8.3.3 This indicator has been affected by new systems and procedures which were introduced in July 2008. These aimed to deliver significant efficiencies and savings for the authority by optimising payment due dates. Although significant savings have been generated, there have been a number of teething problems including obtaining accurate information, which have only properly been resolved over the last few months.

8.3.4 Performance has also been affected by continuing problems of delays within directorates including provision of complete information to enable payments to be made. Work is ongoing to resolve these problems and the quality of invoices being submitted for payments has improved over the last few months.

- 8.3.5 Although the target has not been met based on the end of year position, following the above improvements, performance has significantly improved, with performance in both February and March exceeding the 90% target.
- 8.3.6 It should be noted that as a response to the economic downturn, the Council introduced a small supplier scheme in December 2008, which guarantees payment within 20 days. After a slow start, there are now 34 firms signed up for the scheme. To date all 34 small firms have received payment within 20 days.

9. Recommendations

Members of the Executive Board are asked to:

- 9.1 Note the contents of this report
- 9.2 Agree the transfer of £4.8m to general reserves as per paragraph 3.8.
- 9.3 Agree the carry forward of £1.3m Area Based Grant as outlined in paragraph 3.7.
- 9.4 Agree contributions to and the use of HRA reserves as outlined in the HRA report.

Background Documents

- ⁱ Revenue Budget report 2008/09 Executive Board 8th February 2008
- ⁱⁱ 2007/08 Outturn report to Executive Board 11th June 2008
- ⁱⁱⁱ Financial health monitoring report to Executive Board 5th November 2008
- ^{iv} Capital Programme report to Executive Board 13th February 2009

Housing Revenue Account – 2008/09 Outturn

- As shown in the following table, the final outturn position has generated a contribution to reserves of £3.659m. From this £226k is required to support the future of Council Housing option appraisal, £693k is required to resource the procurement of 10 social housing units in the EASEL area, £800k is required for to find demolition and clearance on HRA in order to make way for affordable housing schemes, £65k is required for land purchase at Holdsforth Place and £189k is a contribution to the Early Leavers Initiative reserve which was established to facilitate the restructuring of Property Management Services. This leaves a usable balance of £1.686m which is being used to address a variation in capital resources in respect of the 2008/2009 capital programme. Also required to fund the 2008/2009 capital programme is the £350k that has been set aside as an earmarked reserve for reinstating void sheltered properties that is no longer required.
- In addition in order to address a shortfall in capital resources, largely occasioned by the impact of the economic downturn upon capital receipts, £5.518m is to be temporarily borrowed from the Swarcliffe PFI sinking fund with reimbursement occurring when the capital receipts are realised.

HRA	Latest Estimate	Outturn	Variation
	£000	£000	£000
Expenditure			
Employees	7,271	6,874	(396)
Premises	1,681	1,860	179
Supplies and Services	12,939	11,389	(1,550)
Transport	211	195	(16)
ALMO Management fees	111,095	110,569	(526)
Internal Charges/ Transfer payments	12,696	14,235	1,539
Provision for doubtful debts	1,700	2,441	741
Disrepair	625	600	(25)
Capital	18,795	17,629	(1,166)
Revenue Contribution to Decency Prog.	0	3,900	3,900
Housing Subsidy	46,386	46,511	125
Income			
Rents and other charges	(167,173)	(169,800)	(2,627)
Other Income	(46,733)	(47,464)	(731)
Deficit / (Surplus)	(508)	(1,062)	(554)
Transfer To Swarcliffe PFI	508	1,303	795
Transfer to (from) Decency earmarked reserves	0	(3,900)	(3,900)
Surplus	0	(3,659)	(3,659)

- A number of factors have contributed to the year end position. There has been an underspend of £0.2m on IT projects due to slippage in programmes, lower valuation and associated costs feeding through from reduced numbers of Right To Buy applications.

4. Rental income has exceeded the budget by £2.6m which reflects both improved void levels and higher levels of stock than anticipated.
5. Internal charges were higher due to a recharge for the ASBO service and additional customer service charges partly offset by lower PPPU and Finance/HR charges.
6. The increase in negative subsidy is due to lower CRI interest rates and premium and discount costs (£203k) offset by a £78k 'gain' from the final settlement for the audited 2007/08 subsidy grant claim.
7. The £1.2m reduction in the cost of capital has also benefited from the lower Item 8 interest charges arising from the reduction in the Council's average rate of interest on debt (£0.4m) plus higher notional cash interest (£0.7m) due to higher working balances.
8. Higher levels of work than anticipated resulted in surplus income of £0.6m for the Property Services of the directorate.
9. The additional contribution to the Swarcliffe PFI reserve includes £0.12m higher interest on balances, £0.25m slippage in bullet payments and £0.95m contract underspend offset by £0.08m pass through costs/contract variations and £0.445m postponement in the General Fund contribution.
10. The £0.7m increase in the bad debts provision is as a result of a change in methodology in response to comments made in last year's audit report from KPMG.
11. It is proposed that for 2008/09, the in year surplus of £3.66m is transferred to reserves and utilised as described in paragraph 1. General reserves will therefore remain at £3.71m with other earmarked reserves amounting to £12.84m, giving a closing reserve position of £16.55m as follows:

Reserves	Opening Reserves 1/4/2008	Transfers Out 2008/09	Swarcliffe transfer to Sinking Fund	2008/09 'Surplus' & tfr from other earmarked reserves	Closing Reserves 31/3/2009
	£000	£000	£000	£000	£000
HRA 'General' Reserve	3,712	0			3,712
Contribution to Decency Targets	5,854	(3,900)			1,954
Contribution to 2008/2009 Cap.Prog		(2,036)		2,036	0
Easel Demolition (Borrowing) Costs	500			(500)	0
PFI Set up Costs	150	0			150
Swarcliffe PFI	10,821	(5,518)	1,303		6,606
Swarcliffe Environmentals	300	0		50	350
Lifetime Homes' Business Preparation	50	0		(50)	0
PFI Set up costs - Lifetime Homes	500	0			500
Re-instating void sheltered properties	350	0		(350)	0
Underoccupancy pilot	300	0			300
Early Leavers' Initiative	500	0		189	689
Option Appraisal - ALMOs *	0			226	226
Holdsforth Place - land purchase *	0			65	65
Purchase of New properties (EASEL) *	0			1,193	1,193
Decanting and Demolition Costs *	0			800	800
	23,037	(11,454)	1,303	3,659	16,545

* New proposed reserves

ADULT SOCIAL CARE

2008/09 OUTTURN POSITION

Introduction

- This report sets out the 2008/09 outturn position for Adult Social Care and provides an explanation of the significant budget variations.

Overall Position

- 2008/09 was another challenging year financially for Adult Social Care. The budget included substantial realignment of resources to support key priorities, in particular direct payments and the learning disability pooled budget. It also included significant planned savings to deliver service priorities within the overall resources available.
- In 2008/09 Adult Social Care continued the year-on-year improvements in delivering within its overall budget. The outturn position is a net overspend of £0.4m (0.23%) on controllable budgets and £0.3m for the directorate's total budget compared with the Latest Estimate.
- Budgeted savings totaling £10.7m were achieved in 2008/09. Despite a shortfall of £5.8m in delivering budgeted savings, the directorate was very effective at achieving alternative savings and further details are set out below.

Outturn Explanation

- Promoting direct payments has been successful in 2008/09 and budgeted targets were exceeded by 188 cases (25%). This cost of delivering these additional more flexible care packages was £1.1m higher than the budget allocated.
- There was an increase in demand for home care services in 2008/09, with 66,500 additional hours provided at a net cost of £0.8m. Expenditure on independent sector domiciliary care exceeded budget provision by £1.1m, although this was partly offset by reduced staffing spend of £0.3m within the directly provided service. This resulted from greater reductions in staffing numbers than budgeted being achieved and the associated transfer of home care packages to the independent sector taking place more quickly than originally planned.
- There have been significant difficulties during 2008/09 in achieving the £3.9m income target in respect of Supporting People. This was due to variations in the Supporting People cash surplus available for new schemes and decisions by the Supporting People Commissioning Body that committed some of this available funding to other priorities. As a result, Supporting People income fell short of the budget by £1m, after taking account of a £1.5m virement from the community care placement budget outlined below.
- Expenditure on community care placements net of income from NHS Leeds was £2.7m less than the Original Estimate, of which £1.5m was vired to partly offset reduced Supporting People income. This underspend on placements was mainly due to the impact of revised continuing care criteria.

- The learning disability pooled budget for 2008/09 included some challenging planned savings amounting to £1.6m. Although there was a shortfall against these specific actions of £0.5m at the year-end, new care packages being later and/or lower cost than originally forecast led to an overall underspend of £0.5m of which the Council element was £0.3m.
- Staffing expenditure was £1.9m lower than budgeted, which partly reflects reduced spend within the directly provided community support service outlined above. In addition, managers have taken contingency actions to address the overall budget pressures being faced by Adult Social Care by seeking to minimise recruitment without prejudicing the safe delivery of services.

CHILDREN'S SERVICES

2008/09 OUTTURN POSITION

Introduction

This report sets out the 2008/09 outturn position for Children's Services and provides an explanation of the significant budget variations.

Overall Position

Overall, Children's Services have delivered a near balanced budget in 2008/09 with a net (controllable) outturn of £145.6m against a latest estimate of £145.3m, giving an overspend of just £0.3m.

There were a number significant challenges and budget pressures during 2008/09, particularly in Children & Young People's Social Care (CYPSC) which have been managed across Children's Services as a whole. Over the course of the financial year, the budget and spend have been prioritised according to risk and service demands, with an emphasis on resourcing front-line child protection services and services for looked after children and children in need.

Outturn Explanation

The most significant variations are discussed below;

In CYPSC, the externally provided residential placements budget overspent by approximately £1.2m due to a combination of new placements and also extensions to current placements. This budget accommodates the most complex and challenging children & young people with severe behavioural and/or physical needs and as such are very costly to support. Our benchmarking with other local authorities has demonstrated that our spend is relatively low in this area of need and that we achieve good value for money. Another budget pressure was around the cost of legal advice with an overspend of £0.5m due in part to an increase in the number of cases and also in part to the transfer of funding responsibility for public law fees.

There was an overspend of £0.5m across the in-house residential homes, primarily on employee-related budgets, as a result of the need to maintain care standards and minimum staffing numbers. This pressure was in line with previous projections and has been built into the budget strategy for 2009/10. The cost of the support to Care Leavers was £0.4m above the budget due to a combination of additional rent costs, staffing and slippage on the budget action plan savings around accessing welfare benefits. In addition, the support to Unaccompanied Asylum Seeking Children was £0.4m more than the related grant income which created a net overspend of £0.3m. These pressures in CYPSC were mitigated in part by the use of historic reserves held for a number of years on the balance sheet, by savings across the fostering service and savings on the provision of secure remand and welfare placements.

Across Children's Services as a whole there were also budget pressures due to slippage on some of the budget action plans around locality & integration (£0.25m),

managing workforce change (£0.25m) and Performance Management & Communications (£0.1m).

The Early Years Children's Centres benefited from additional income of £0.8m mainly due to additional 3 & 4-year old pathfinder grant income and the Sure Start, Early Years and Childcare Grant. In addition, there were savings due to the slippage on the recruitment of outreach Family Workers as well as staffing savings due to slippage in the opening of two phase two centres. In addition, the Area Based Grant funded Leeds Children's Fund generated an underspend of £160k due to infrastructure savings around accommodation and support.

Across Children's Services, the additional 0.3% pay award for NJC staff created a budget pressure of around £150k.

The Dedicated Schools Grant (DSG) funding is ring-fenced and therefore any overall variations are carried forward so that the resources can be used to fund the delivery of schools-related services in future years. Overall, schools achieved a net surplus of £1.4m in 2008/09 which brings the cumulative net school balances to £13.8m as at 31st March 2009. However, it should be noted that some individual schools have cumulative deficits that will need to be addressed.

Similarly, Extended Services have net accumulated surpluses of £3.9m as at 31st March 2009 which, in part, reflects funding for the delivery of services across the 2008/09 academic year (September 2008 to August 2009). Savings have also been achieved in the cost of Central Schools Budget services and £4.3m of DSG funding will be carried forward for use in future years.

After accounting adjustments, the net saving on general funded education services is £0.25m which is in line with previous projections. This is mainly due to savings on pension costs (£0.1m) and on running costs (£0.1m) due to a residual education building being demolished part way through 2008/09.

CITY DEVELOPMENT

2008/09 OUTTURN POSITION

Introduction

This report sets out the 2008/09 outturn position for City Development and provides an explanation of the major variations.

Overall Position

The actual outturn position for City Development is a net overspend of £1.8m against the Latest Estimate in terms of the controllable budget.

The Directorate has faced a number of significant budget pressures during 2008/09, most notably from a shortfall in income of over £4m mainly as a result of the economic recession. The 2009/10 budget has been adjusted to reflect these trends although the extent of the shortfall in some areas has been greater than forecast at the time the budget was set. Expenditure pressures included additional spend on winter maintenance in Highways as a result of the severe winter weather and additional costs for fuel and energy in Parks and Countryside and Sport.

The Directorate has sought to contain these pressures by identifying savings across all services and through managing staffing levels. During the year recruitment was restricted to income earning posts and to protect front line services. In services affected by reduced income and reduced workloads staffing levels have been reviewed and revised structures are being progressed. The Early Leavers Initiative has been rolled out across the Directorate and over 50 business cases were approved during 2008/09. Staff savings amount to £1.2m over and above the latest estimate. During the final quarter, City Development Directorate agreed to a review of spend across the Directorate with a view to generating additional savings to contribute towards offsetting the loss of income. Additional savings were generated, particularly in Highways and Transportation Services, and this has helped to contain the size of the net overspend.

Outturn Explanation

The most significant variations are discussed below:

Planning Services

Overall the Service had a net overspend of £1.64m. The recession has had the most severe impact on the Planning budget with the shortfall on planning and building fees income reaching £1.7m. The trend for falling income levels was experienced in the final quarter of 2007/08 and although the 2008/09 income budget was adjusted to partly reflect these trends, the shortfall in 2008/09 has been much more severe than could have been projected in early 2008. Staffing levels have been reviewed and a revised structure is being progressed. A number of staff left the Council under the Early Leavers Initiative.

Recreational Services

The Service has a net overspend on the controllable budget by £2.6m. Of this, £1.17m related to Parks and Countryside and £1.43m to Sport.

In Sport, the shortfall in income was £491k for lettings. The review of spend across the directorate and subsequent closure of bars and cafes accompanied by falling trends, resulted in a reduction in income of £365k, although some of this shortfall was offset by reduced expenditure on resaleable supplies. Expenditure pressures included rent and other premises costs, security and equipment costs.

In Parks and Countryside there was a shortfall in income of £449k. Expenditure pressures include security, energy and fuel costs.

Asset Management Services

The net service overspend compared to the Latest Estimate is £849k. This includes an under recovery on Architectural Design Services of £569k mainly due to reduced workloads in the final quarter of the year. This is clearly an on going budget issue for the Service and an action plan is being developed.

The recession has had an impact on external income with a shortfall in Markets income of £246k and advertising income of £79k. Staffing levels in the Service have been closely managed and savings of £182k achieved. A revised structure is in the process of being approved and a number of business cases were approved for staff to leave the Council through the Early Leaver Initiative in 2008/09.

Libraries, Arts and Heritage

The Service had a net overspend when compared to the Latest Estimate of £210k. The major reason for this has been a shortfall on external income of £695k, the majority of this incurred in Heritage Services. The shortfall in income has been partly offset by savings in staffing and running costs.

Highway and Transportation Services

The Service has a net underspend of £3.0m. This includes an underspend of £0.2m on Engineering Services and £2.6m on Highway Services. Staff savings amount to £800k and savings on the Street Lighting PFI Unitary Charge of £739k. City Development Directorate agreed early in the financial year that these savings would be earmarked to fund pressures in other services. Additional income has been achieved through work charged to the capital programme and other Directorates.

Expenditure pressures funded through the above savings include additional Street Lighting energy costs and the additional costs of winter maintenance.

Highways Services successfully delivered the planned Individual Maintenance Scheme Programme for 2008/09.

Economic Services

The Service has a net underspend when compared to the Latest Estimate of £0.3m. The Service has again been successful in securing additional external income to support major projects it is delivering. This includes contributions from Yorkshire Forward and developers for Holbeck Urban Village, the Renaissance Partnership and Eastgate and Harewood Quarter.

Strategy and Policy

The Service has a net underspend of £182k with savings being made in staffing and some running costs.

Support Services

Overall the service had a net underspend of £67k with savings being made in staffing and running costs.

ENVIRONMENT AND NEIGHBOURHOODS

2008/2009 OUTTURN POSITION

Introduction

This report sets out the 2008/2009 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 a balanced budget position before the creation any PFI earmarked reserves, and before the increased contributions of £1,532k from the Housing Revenue Account.

Community Safety (£869k Cr)

The net underspend is due to recharging HRA for work undertaken by the Anti-Social Behaviour Unit which relate to tenants and perpetrators within Council properties (£877k). There were overspends due to BPR work (£22k) for the CCTV function. Further, unbudgeted costs for Community Intelligence Tension Monitoring were incurred (£37k) and additional income (£15k) and savings on running costs (£36k).

Housing Services & Fixed Payments to HRA (£1,169k Cr)

Reflecting the current level of surpluses and future commitments, the budgeted General Fund contribution to the Swarcliffe PFI sinking fund has been reduced by £445k in 2008/2009.

Following a service review it was identified that contributions were required from the HRA for services provided by Care Ring and Medical rehousing functions (£245k). Further analysis of Care Ring identified 20% of alarm installations were in Council (HRA) Properties, therefore this proportion of cost is charged to the HRA (£268k).

The Emergency Accommodation Service (TEAS) and Resettlement transferred to an external provider on 1st January. The service made staffing and running cost savings whilst the Supporting People grant funding remained constant, resulting in an underspend of £187k. There are further savings within staffing due to retention of vacant posts (£272k).

Within Sheltered Wardens service, there is a net overspend of £266k which is due to no charges for clients who do not qualify for Supporting People (SP) funding (£100k), a reduction in the number of clients funded by HRA (£160k) and SP (£59k) but this is offset by savings in the fee payable to the ALMOs (£53k). Further, within temporary accommodation no income was received as there is currently no charging policy for clients who do not qualify for Housing Benefit (£50k)

Roseville (£91k Dr)

The budget for 2008/09 includes a carry forward of £120k from 2007/08. At final outturn for 2007/08, Executive Board agreed the recommendation that there would be no departmental carry forwards. This pressure was offset by additional orders of 750 which generated net income of £115k. However, there were overspends on staffing (£42k), electrical works to meet health and safety requirements (£10k) and general running costs, such as security and utilities (£34k).

Regeneration/ Area Management (£306k Cr)

This is due to retention of vacant posts and slippage in recruitment (£200k) and additional income received from Supporting People for Signpost (£107k).

Jobs & Skills (£1,102k Dr)

Staffing (£405k Dr)

The staffing budget for 2008/09 was set at £4,037k, on the basis that a new staffing structure would be introduced, assumed to be fully effective from April 2009, and that the number in post would reduce from 191 to 121. The cost of 191 staff was £5,282k and the budget set represented a saving of £1,245k, the majority of which it was assumed would be saved from the start of the financial year.

Although the targeted number has been reached, there has been significant slippage during the year resulting in an overspend of £405k.

Construction Skills (£390k Dr)

Income has been brought forward to cover the additional cost of the WykeBECC project, which has slipped into 2008/09, and income from other ongoing projects covers anticipated expenditure. The commissioning of construction training from Leeds College of Building commenced in January 2009, and the financial effect of this arrangement in 08/09 is to increase payments to the College by £325k, although this would be offset by unbudgeted income of £85k from schools for courses run through the contract. The budget assumed that £400k income was available through Regeneration to offset the cost of the commissioning agreement. In Regeneration, a contribution of £250k was received during the year leaving a shortfall of £150k.

Accommodation costs (£452k Dr)

As a part of the process of realigning the Jobs and Skills service, there was a budget requirement that a number of properties were vacated during 2008/2009. Although all of the identified properties have been vacated, the Jobs and Skills service has continued to pick up the costs associated with these properties. This is either due to the fact that there have been delays in the development of a site, and the Council is still liable for the payment of the associated rent e.g. 1 Eastgate (£253k), or there have been delays in other users vacating the building e.g. East and West Leeds Family Learning Centres.

External Grants and Other Contributions (£146k Cr)

Significant amounts of external income have been generated over and above the budget, including an additional allocation from LSC for Adult and Community Learning (£125k) and other funding brought in to support programmes already running such as the young peoples programme (£130k) and Care 4 All income (£159k). This has more than offset the non-realisation of ESF grant income (£105k) and loss of contributions from Learning Partnerships (£163k).

Community Centres (£267k Dr)

There has been a shortfall in income from the Community Centres which transferred from Learning & Leisure Directorate (£178k). Further, there were additional recharges from the Facilities Management function who manage the service on behalf of the Directorate (£89k)

Refuse Collection Service (£132k Dr)

Vacant posts in the service led to savings in managers and admin staff of £237k.

Operative vacancies, net of cover saved £310k, but the additional costs of sickness was £167k and a change in mix of cover cost £66k; Revised Christmas working arrangements saved £86k, but the effects of industrial action (staff £93k, vehicle £50k and communications £65k costs) were £208k. An earlier than planned roll out of garden collections cost £62k

Transport costs were £346k higher than budget, of which repairs to vehicles were £186k and lease costs £98k. Higher than expected fuel prices early in 2008/9 cost £20k.

Prudential borrowing costs on new and replacement garden bins are £32k over the latest estimate mainly due to rolling the garden bin scheme to more properties than originally intended.

Street Cleansing (£10k Cr)

An overspend on operative staff costs of £88k has been offset by savings on officer costs of (£73k).

Reductions in income from the loss of Pudsey Market cleansing and lower charges on SSCF funded schemes totalling £77k were offset by savings in transport costs of (£51k) and weed spraying of (£38k)

Anti-Graffiti and Public Conveniences (£96k 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 (£100k Dr) – including appropriation

Additional expenditure on Security at Waste Sites of £86k was incurred. This was mainly due to repeated incidents of vandalism at Gamblethorpe and a delay in the installation of CCTV at Kirkstall Road.

Site maintenance and premise costs were £51k higher than budgeted.

Significant spend was incurred on the repairing of containers and compactors at Waste Sites, £97k to ensure that recycling facilities at the sites were not unduly compromised.

Staff savings amounting to £125k accruing from not covering all vacant posts, particularly in the winter months when footfall at the waste sites is generally lower, helped to ease some of the cost pressures identified above.

Delays on the East Leeds WSS refurbishment resulted in £24k savings in prudential borrowing costs.

Waste Strategy (£405k Cr)

Savings in staffing of £183k occurred due to delay in appointing the new Waste Management structure. The service also agreed to contribute savings in the Education Awareness budget of £272k to help ensure the overall Directorate budget remained in balance.

As a result of a slight slippage in the Waste PFI procurement, savings in external advisor costs of £76k occurred.

High prices for recyclates in the early part of 2008/9 helped generate an additional £55k of income

All of these savings helped offset continuing reductions in net income received from electricity generation at Gamblethorpe Closed Landfill site, £217k.

Health and Environmental Action Section (£66k Dr)

Increased income across the service of £321k (incl. Adaptation fees of £225k) are offset by overspends in staffing of (£34k), Pest control (£257k) and increased legal/corporate costs of (£59k) other £6k.

Car Parking (£440k Cr)

Additional Car Parking income of £220k 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 2008/09. In addition there were staff savings of £54k from vacant posts, and savings in running costs of £166k.

CENTRAL AND CORPORATE

2008/09 OUTTURN POSITION

Introduction

This report sets out the 2008/09 outturn position for Central and Corporate Functions and provides an explanation of the major variations.

Overall Position

General Fund services show a net overall underspend of £0.9m, however Trading Accounts achieved £1.2m less surplus than budgeted.

Outturn Explanation

The most significant variations are described below:

Resources

Support Services and Revenues and Benefits underspent by £1,042k at controllable budget level, however the Trading Accounts experienced an overspend of £1,215k.

Support Services

The corporate savings budget for Support Services of £500k was transferred into Resources from the Strategic account during the year and is reflected in the LE.

The underspend in Corporate Financial Services (including the Business Support Centre), Corporate HR and Corporate ICT amounts to £755k. The savings are predominantly in the area of staffing partly due to the implementation of restructures in Financial Management and HR. Other staff savings have resulted from revised appointments plans in anticipation of the savings requirements in the 2009/10 budget.

During 2008/09 a significant change in the way building maintenance budgets are managed and controlled has been implemented by Corporate Property Management. The relevant buildings maintenance budgets, previously within all Directorates that have had a history of being overspent, have been brought into Resources. During this transition year, spend on buildings maintenance across the Council has once again overspent (by £0.6m) but this is all now reflected in the controllable variation in Resources. High priority is now being given to ensure this budget is tightly controlled in 2009/10 and also to new ways of working with the in-house property maintenance service. Savings in other areas within CPM, mainly staffing and savings on buildings costs amounted to £0.6m meaning an overall balanced position.

Revenues and Benefits

The value of housing benefits and council tax benefits paid was in excess of £13m over budget, although this is 100% funded by government grant. However, the value of overpayments identified has reduced during this period meaning that actual income fell short of budget by £524k. A large number of Local Authorities are also experiencing a downward trend in overpayments. In addition spend on discretionary and non-HRA rent rebates has increased by £134k compared to the budget.

In spite of an increase in workload, the service has been able to generate staffing savings of £391k however this has been offset by other unavoidable running cost variations of £263k meaning operational budgets overall underspent by £128k.

Income from raising summonses for court fees has exceeded budget by £816k; £365k as a result of a change in the formula which allocates court fees into this account and an additional £451k from an increase in volumes.

Trading Services

The overall net surplus was £1.2m lower than budgeted. This is made up of three trading areas; Property Maintenance Building £700k, Education Catering & Cleaning £250k and Security Services £270k.

The surplus on Property Maintenance Building was £700k lower than budgeted. This was due to several factors; £350k of income in 2008-09 where difficulties in allocating to / or agreeing the work with the client; £250k lower profit from the West ALMO Gas Contract; £50k additional fuel costs and £50k additional trade waste disposal costs.

The Education Catering net surplus was £250k lower than budgeted due to higher food costs. Another factor was the high levels of equipment maintenance repairs and replacement. £50k is attributable to running down the former Crown Cuisine operation - the budget assumed it would cease on 31st March 2008, whereas the actual date was 30th June 2008.

Security Services generated a £270k lower surplus due the performance of the Radio Room & Mobile Patrol Unit. Income being £120k lower than budgeted, due to business growth not being achieved. Staffing levels were £80k over budget primarily due to level of responsive service provided to clients. A further cost to the unit was Equal Pay, £50k of which was not recoverable from Clients.

Policy, Performance and Improvement

The overall position is a net overspend of £247k, the main cause (£190k) being the cost of additional work by external translators and interpreters in response to demands on the service from across the Council. From 2009/10 a system is being introduced to ensure all Directorates pay for the services they request. In addition, a priority based approach has been adopted to ensure that interpreting services are only used where necessary.

Corporate Governance and PPPU

Controllable budget underspent by £38k.

A contingency release of £582k was processed to cover the impact of the reduction in local search fee income as a result of the downturn in the property market.

The Elections Service overspent by £244k 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. These requirements were introduced as part of the Electoral Administration Act.

Democratic Services pay and running costs underspent by £240k. Other variations amounted to a net underspend of £42k.

STRATEGIC ACCOUNTS

2008/09 OUTTURN EXPLANATIONS

Context

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

Overall Position

The outturn position variation against the Latest Estimate for Strategic Accounts is a net controllable underspend (including controllable appropriations) of £5.4m and an underspend on the costs of servicing debt of £2.0m.

Outturn Explanation

The major variances in net controllable income and expenditure were as follows:

- As a result of the successful challenges to the legislation introduced in 1997 to cap VAT claims to three years, the authority has made a further claim in 2008/09 for VAT due dating back to 1974, in relation to sporting and cultural activities. Although the claim has not yet been settled, HMRC have indicated that they agree the claim in principle and that it will be paid subject to verification of the figures. Accruals have therefore been raised for £3.5m of refunded VAT and a further £2.8m of interest on this amount. This represents the minimum expected level of interest due; the eventual figure may be higher dependent on the calculation method to be decided by HMRC.
- The final grant determination in respect of the Local Area Business Growth Incentive Scheme allocated £2.0m to the authority, which had not been anticipated.
- The amount of section 278 monies that were released to revenue was £1.9m less than had been budgeted for. This arose from a slowdown in development activity as a result of the general economic downturn.
- The budget held centrally for contingencies allocated £5.0m to fund departmental pressures. This was £1m in excess of the £4.0m Original Estimate and was partially funded by the use of £0.3m of general reserves and £0.19m of flood relief grant income, which had not been budgeted for. The net position against the Latest Estimate was therefore an additional cost of £0.5m.
- The Strategic outturn position includes an overspend relating to the allocation to directorates of £1.1m of budget resources relating to additional contributions to the Insurance provision.
- The budget held for procurement savings of £0.5m was not achieved centrally.

The net saving of £2.0m in debt costs was due to savings in external interest costs (£0.5m) and in MRP chargeable (£0.5m), together with increased income on revenue balances of £1.9m. This was partially offset by a £0.9m reduction in the statutory Item 8 charge to the HRA.

Contingency Fund - 2008/09 - Outturn

Items provided at 50%	08/09 £000's	Amount Released £000's	Variation £000's	Comments
Environment & Neighbourhoods				
Tonnes	768	453	-315	Reflects a reduction in volumes of waste
Refuse collection - demographics	235	235	0	Reflects increased property numbers which equates to 1 residual waste route and 1/4 SORT route. This been transferred to the directorate's base budget for 2009/10.
DPE income	231	231	0	Reflects average payment rate being less than budgeted
Union Street Car Park	236	0	-236	Did not close
Armley Asbestos	160	160	0	Reflects compensation payments - £94k carried forward in earmarked reserve therefore this will not be required in future
LIFT	240	90	-150	Project management costs incurred in year
Sub-Total	1,870	1,169	-701	
City Development				
Planning/Building Fees	325	325	0	100% released due to current economic climate
Transport Policy/Tourism income	50	0	-50	Not required
Rental/Advertising Income	150	150	0	100% released due to current economic climate
Surveyors/Legal fees	168	168	0	100% released due to current economic climate
Planning advertising budgets (v211)	32	20	-12	Non achievement of planned reductions
Feasibility budget	50	39	-11	Office Accommodation Review Phases 1 & 2
Travellers	100	43	-57	Travellers clean up costs
Community Cohesion	80	0	-80	Not required
Libraries	100	100	0	Challenging efficiency target only partly met
Winter maintenance	150	150	0	Actual spend was £1.9m against a budget of £1.3m. £0.35m was funded from additional DLO surpluses, with the remaining £0.15m from contingency
Planning Delivery Grant	25	0	-25	Actual Grant came in £113k higher than budget
Local Development Framework	50	0	-50	Not required
Land Registry Project	25	0	-25	Not required
Sub-Total	1,305	995	-310	
Central and Corporate functions				
Land Charges	300	582	282	Reflects a reduction in searches due to economic downturn
LPSA2 Pump Priming	231	200	-31	Unallocated amount brought forward. £65k to EL School Improvement 14-19, £85k Domestic Violence, £50k Bail Supervision and Support
Sub-Total	531	782	251	
Adults Social Care				
Independent Living PFI	421	421	0	PFI procurement costs
Community Care	750		-750	Costs contained within directorate's budget
Reform Grant	500	250	-250	£1.2m allocated by DoH towards cost of personalisation agenda. £0.5m agreed to be released subject to detailed spending plans, which subsequently slipped
Sub-Total	1,671	671	-1,000	
Total Departmental	5,377	3,618	-1,760	
Provision at 50%	2,689	3,618	929	
Items Provided at 100%				
Public Law Fees	450	450	0	Late adjustment to RSG in the 08/09 budget
Advertising/promotions savings target	200	400	200	Savings target held centrally. Any savings will have been generated in directorates
Energy	100	0	-100	Energy efficiency funding not required
Marketing Leeds	200	200	0	Reflects funding agreement with Marketing Leeds
Pay and Grading	300	300	0	Allocated to directorates following implementation of Phase 1
Other unallocated	61	0	-61	
Sub-Total Items provided at 100%	1,311	1,350	39	
Total Contingency	4,000	4,968	968	
Top Ups during year:				
Virement from General Reserves	300	13	-287	Reserves at 31.3.08 were £300k above the level assumed. Spend related to increase in contribution to Coroners as a result of increase in Coroners salary
Flood Alleviation	188	54	-134	Flood restoration funding distributed to areas affected by the 2007 summer floods. Spend related to flood design vision
Outturn	4,488	5,035	547	