



---

## Report of the Director of Resources

### Executive Board

Date: 25<sup>th</sup> August 2010

Subject: Financial Health Monitoring 2010/11 – First Quarter Report

---

#### 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

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, particularly affecting income and demand led budgets. Directorates have already developed and implemented action plans but nevertheless an overall overspend of £3.6m is projected at this stage. It is imperative that these action plans are kept under review, are robust, and will deliver a balanced budget by the year end. Detailed directorate reports are included at Appendix 1.
3. 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.
4. Members are also requested to approve budget adjustments as detailed in the report.

## **1. PURPOSE OF REPORT**

- 1.1 This report sets out for the Board the Council's financial health position for 2010/11 after three months of the financial year. The report covers revenue expenditure and income projected to the year end. The report also highlights the position regarding other key financial indicators, including Council Tax collection and the payment of creditors.
- 1.2 A separate report on the Capital Programme can be found elsewhere on this agenda.

## **2. BACKGROUND INFORMATION**

- 2.1 Members will recall that the net budget<sup>1</sup> for the general fund was set at £569.3m, which was not supported by the use of any general fund reserves. As a result, the level of general fund reserves at 31<sup>st</sup> March 2011 were estimated to be £12.0m.
- 2.2. As reported to Corporate Governance and Audit Committee<sup>2</sup> in the 2009/10 Statement of Accounts report on 30<sup>th</sup> June 2010 the balance carried forward at 31<sup>st</sup> March 2010 was £16.0m. This figure could change if there any significant events which occur prior to the sign off of the accounts by external audit. Any variations 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 as part of the second quarter financial health report.
- 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.
- 2.4 This year a new projections module has been developed within the financial ledger which requires budget holders to complete projections for their services in conjunction with finance officers. Full details of directorate variations are appended to this report, prefaced by a summary of the position by chief officer.

## **3. MAIN ISSUES**

- 3.1 After three months of the financial year an overspend of £3.6m is projected as detailed in table 1.
- 3.2 As part of the budget monitoring process, action plans built into budgets have been reviewed and the above projections do assume the continuing delivery of action plans both corporately and within directorates.
- 3.3 The projections also take into account the recent cuts in government grants and the implications of these on the Council are explained more fully in a separate report elsewhere on this agenda. This report gives details of £15.0m of cuts with proposals to deal with £13.5m, leaving a £1.5m shortfall.

Table 1

Directorate	(Under) / Over Spend for the current period			
	Staffing	Other Expenditure	Income	Total (Under) Overspend
	£000	£000	£000	£000
City Development	1,062	(2,455)	1,862	469
Environment & Neighbourhoods	690	(2,469)	3,763	1,984
Children's Services	(1,351)	8,763	(2,695)	4,717
Adult Social Care	(1,653)	8,746	349	7,442
Resources	(1,645)	881	(820)	(1,584)
Corporate Governance	(115)	137	(330)	(308)
Planning, Policy and Improvement	59	(577)	402	(115)
<b>Total Directorate Pressures</b>	<b>(2,953)</b>	<b>13,027</b>	<b>2,531</b>	<b>12,605</b>

<b>Corporate issues</b>	
Rolled up interest	(600)
Capitalisation	(2,500)
Contingency Fund	(3,200)
Loss of LABGI grant	500
Use of balance sheet items	(3,200)
<b>Total Authority Pressures</b>	<b>3,605</b>

3.4 Full details of directorate variations and proposed actions to help achieve a balanced budget are attached as Appendix 1. The main variations can be analysed as follows:

#### 3.4.1 Staffing

The overall staffing budget is projected to underspend by £2.9m. This reflects careful management of vacancies, overtime and the use of agency staff throughout the Council. In some areas, services are managing workforce change and redesigning services to meet reduced demand. This particularly applies to City Development and Neighbourhoods and Housing.

#### 3.4.2 Other Expenditure Variations

Other expenditure variations total £13.0m. Externally provided placements, both residential and with independent fostering agencies, continue to be a major pressure on the Children's Services budget and are projected to be £8.0m overspent at the end of the financial year. Within Adult Social Care, residential and nursing care placements have exceeded the budget provision and the service is forecast to be £3.3m above the budget. This trend is repeated in Domiciliary Care, projected to be

£4.3m higher than budget. Direct payments spend is currently projected to be £0.5m higher than budget and Service User contributions for home care and residential care is reduced by £0.7m which reflects trends in the final quarter of 2009/10 and more residential beds unoccupied or occupied by transitional care cases which do not generate a service user contribution.

### 3.4.3 Income

Income trends are still declining especially within car parking £1.0m, sport £0.5m, and architectural design services £0.6m. In addition, within Environment and Neighbourhoods, Yorkshire Forward has reduced its grant to the Jobs and Skills service £0.4m, and the Leeds Asylum service is to have the number of asylum seekers in the contract reduced, which coupled with the loss of the Hillside Induction contract amounts to a net cost of £0.6m.

### 3.4.4 Grant Reductions.

The net effect of the proposals to deal with the in year reduction in grants gives a £1.5m pressure on the Council's budget and this is included in directorate projections shown in table 1 above.

### 3.4.5 Corporate Issues

The 2010/11 budget included a challenging savings target in respect of debt charges. As at month 3 £3.3m is still to be achieved, although it is anticipated that by pro-active treasury management this saving will be achieved.

The latest projection assumes additional capitalisation of £2.5m can be achieved at the year end, based on the levels achieved in 2009/10.

A general provision of £3.2m for unforeseen events was included in the contingency fund. It is now proposed to earmark this amount to reduce the impact of directorate pressures.

A detailed examination of balance sheets has resulted in £3.2m being made available to support in year budget pressures. This is one off funding and will have implications for future years, which will require addressing as part of the budget preparation for 2011/12. In addition, it is proposed to utilise the remaining Education Leeds operating surplus to offset the budget pressures in Children's services. Again this is one off.

3.5. 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. It is imperative that these action plans are robust and will deliver a balanced budget by the year end.

3.6 The extent to which these action plans are not effective in containing spending within approved estimates will impact on the Council's reserves which will clearly have implications on the medium term financial plan assumptions going forward.

## 4. Risks

4.1 The Council has prepared and maintained a financial risk register for a number of years. The register details the risk and consequences, existing controls to mitigate against the risk, the value in monetary terms of the risk, review dates and progress

towards managing the risk within existing resources. The register is prepared before the start of each financial year and is monitored on a regular basis. Any significant changes will be reported to this Board as part of the financial health report.

- 4.2 After three months of the year there remain 14 risks which are high or very high. As shown in the table below there is 1 new risk, 3 have moved from high to very high, 1 has moved from medium to high and for 1 risk the probability has increased although the overall rating remains the same.

	Risk	Key Budget Impacted	Initial Position			Quarter 1		
			P	I	Corporate Rating	P	I	Corporate Rating
↑	Independent sector domiciliary care packages may exceed the budgeted number	<b>Adult Social Care</b> Access & Inclusion	3	4	High	5	4	Very High
↑	Reduced domiciliary care (or alternatively placements) spend through the development of the reablement service may not be fully achieved. Reduced workload for the care management service may not generate cashable savings.	<b>Adult Social Care</b> Support & Enablement/ Access & Inclusion	3	4	High	5	4	Very High
↑	Community care placements may exceed the budgeted number	<b>Adult Social Care</b> Access & Inclusion	3	4	High	4	4	Very High
NEW	Proposed actions (developed in year) for dealing with grant fall-out are not achievable	<b>Children's Services</b> ALL	N/A			3	3	High
↑	Car Parking income is affected by reduced patronage and/ or a combination of delays in the implementation of additional car parking capacity and new charging arrangements in the City Centre. Car Park fee income budget is £8.9m	<b>Environment &amp; Neighbourhoods</b> Environmental Services - HEAS	3	2	Medium	5	3	High
Probability increased ↑	Savings released from traditional services may not be sufficient to fund budgeted growth in cash payments through direct payments/ personal budgets	<b>Adult Social Care</b> Access & Inclusion/ Support & Enablement	3	3	High	4	3	High

## 5 HOUSING REVENUE ACCOUNT

- 5.1 At the end of the first quarter the HRA is projecting a surplus of £129k primarily due to posts being held vacant.
- 5.2 Average void levels for the first quarter are lower than budgeted, which if maintained will generate additional rental income of £1.0m. This will be paid over to the ALMOs as additional void incentive payments.

## **6. SCHOOLS**

- 6.1 School reserves stood at £17.1m as at 31st March 2010. This comprised overall surpluses of £12.4m in primary, £4.3m in secondary and £0.4m in Specialist Inclusive Learning Centres (SILC). The average primary school balance is 6.2%, the average secondary school balance is 2.1% and the average SILC balance is 2.5% of the school budget. Excess individual school surpluses above specified limits are subject to claw back and redistribution to the other schools. It should be noted that within these overall surpluses there are some individual schools with deficit balances.
- 6.2 In line with the Leeds Scheme for Financing Schools, any school which had a deficit at the close of 2009/10 and were planning to set a deficit budget for 2010/11 are required to submit an action plan showing in detail how they intend to achieve a balanced budget position within three years. All of these action plans have now been submitted to Education Leeds and are being evaluated for their viability with implementation monitored regularly. These deficit action plans will be submitted to the Director of Resources by the end of September 2010 as per the approved policy.

## **7. OTHER FINANCIAL PERFORMANCE**

- 7.1 The level of Council Tax collected at the end of June 2010 is 28.57% of the debit for the year of £260m. This is marginally ahead of the same period last year, and on track to hit the target set by Executive Board for the year of 96.5%.
- 7.2 The collection of non-domestic rates for the first three months is 32.92% of the current net debit of £333.1m. The collection rate is 0.2% behind the rate at the end of the first quarter last year, however this is well within the normal range of fluctuations caused by the timing of monthly payments and does not represent an underlying trend.
- 7.3 In terms of Sundry income, the collection rate at the end of June is 90.8% of the amount due of £32.8m. The collection rate is ahead of the rate at the same point last year and on course to hit the yearly target of 97.0%
- 7.4 The prompt payment result for the first quarter of the year is 90.21% of undisputed processed within 30 days against a target of 92%. During the period 101,595 invoices were paid, of which 9,101 were paid after 30 days. Overall 94% of invoices are paid within 40 days and 100% of small suppliers are paid within 20 days.

## **8. RECOMMENDATION**

- 8.1 Members of the Executive Board are asked to note the projected financial position of the authority after three months of the new financial year and request that directorates continue to develop and implement action plans which are robust and will deliver a balanced budget by the year end.
- 8.2 Members are also requested to approve a virement of £0.5m from the training budget into the domiciliary care budget as detailed in the attached Adults report.
- 8.3 Members are also requested to note the reallocation of budgets within Adult Social Care to reflect revised management arrangements as detailed in the attached Adult Social Care report.

### **BACKGROUND**

<sup>1</sup> Revenue Budget and Council Tax 2010/11 – report to Executive Board 12<sup>th</sup> February 2010

<sup>2</sup> The Statement of Accounts 2009/10 – report to Corporate Governance and Audit Committee 30<sup>th</sup> June 2009

## Appendix 1

**Reporting Period** June 2010

**Financial Year** 2010/11

**Directorate** Adults Social Care

		(Under) / Over Spend for the current period			
Traffic Light	Service	Chief Officer	Staffing	Other Expenditure	Total (Under) Overspend
			£000	£000	£000
A	Partnership & Organisational Development	Deputy Director-Partnership and Organisational Effectiveness	(27)	83	(35)
R	Access & Inclusion	Chief Officer Access and Inclusion	(1,539)	8,700	473
R	Support & Enablement	Chief Officer Support & Enablement	349	(535)	558
G	Strategic Commissioning	Deputy Director Strategic Commissioning	(172)	255	57
G	Resources	Chief Officer Resources & Strategy	(103)	(458)	22
G	Learning Disabilities Service	Chief Officer Learning Disabilities	(161)	701	(726)
R	<b>Total</b>		<b>(1,653)</b>	<b>8,746</b>	<b>349</b>
					<b>7,443</b>

## **ADULT SOCIAL CARE DIRECTORATE: 2010/11 BUDGET – PERIOD 3 REPORT**

### **1.0 Introduction**

This report sets out the financial position for the Adult Social Care directorate for Period 3.

### **2.0 Overall Summary**

The Period 3 position for the Adult Social Care Directorate is a projected overspend of £7.4m after assuming achievement of in-year action plans of £2.8m. It also includes the projected achievement of £11.2m of the £18.4m savings included within the 2010/11 budget.

### **3.0 Explanation of the Projected Overspend**

The main reasons for the projected overspend are:

- **Community Care Packages - £8.1m**

- Residential and Nursing Care Placements

- Residential and nursing care placements are projected to be £3.3m higher than budgeted at the year-end. In the first three months of 2010/11 placements exceeded the budget provision by 62 and if this trend continues throughout the year spend will be £1.8m above the budget. During the first quarter 158 placements were made direct from hospital without a further period for recovery and assessment, which is contrary to good practice guidelines and is being pursued with Leeds Teaching Hospitals Trust. Work is underway with health colleagues to address urgent care procedures, but actions arising from this have not yet been implemented and at this stage any reductions in demand for Adult Social Care services cannot be quantified. The projection also reflects the potential impact of former continuing health care cases becoming the responsibility of the Council on review and cases where legal services are involved in determining which local authority has financial responsibility. One inter-authority case has a potential cost to Leeds of £450k which is included within the projection to be prudent and a former continuing care case for which the Council assumed financial liability in March 2010 has an annual cost of £170k.

- Domiciliary Care

- The independent sector domiciliary care projection is £4.3m higher than budgeted after action plan savings are taken into account. This reflects higher than budgeted demand, some of which is due to increased activity levels after the 2010/11 budget was set that also impacted on the 2009/10 outturn. Hospital admission and discharge rates are a contributory factor and work is underway with NHS Leeds and Leeds Teaching Hospitals Trust to fully understand and address this. The 2009/10 budget includes planned savings that are challenging to deliver, for example establishing a city-wide reablement service and reducing people's requirements for long term care as a result. Some slippage in delivering these major transformation programmes in line with the budgeted timescales are reflected in the projection. However, there have been improvements within the directly provided home care service this year in productivity and sickness levels, which have contributed to an increase in the number of new care packages being taken on that would otherwise have increased the pressure on the independent sector budget.

### Direct Payments

Directs payments expenditure reflects the extent to which customers choose to receive their services as a cash payment rather than through traditional services and the level of need being met by the care package. This expenditure is currently projected to be £0.5m higher than budgeted based on trends in spend over recent months.

- **Staffing – (£1.7m)**

This reflects the careful management of vacancies, agency staff and overtime across services. This includes the impact of contingency actions being implemented by Chief Officers to mitigate the pressures within the community care budget.

- **Service User Contributions - £0.7m**

This partly reflects the roll through into 2010/11 of the lower than budgeted home care income identified in the final quarter of 2009/10. It also reflects residential care income being below the budget as more beds than anticipated have been either unoccupied or occupied by transitional care cases which do not generate a customer contribution.

## **4.0 Revised Management Arrangements**

During the first quarter of 2009/10 the Chief Officer Support & Enablement left the Council and these functions have been transferred to other Chief Officers. Budget holder responsibility for grants and some contract payments previously held in operational services has been transferred to the Deputy Director Strategic Commissioning. Members are requested to note the adjustments to net budgets as follows:

Chief Officer Support & Enablement	£40.4m Cr
Chief Officer Access and Inclusion	£3.7m Dr
Chief Officer Learning Disability	£28.1m Dr
Deputy Director Strategic Commissioning	£8.6m Dr

## **5.0 Other Budget Adjustments**

Approval is sought for a virement of £0.5m from the training budget (Chief Officer Resources) into the independent sector domiciliary care budget (Chief Officer Access and Inclusion). This reflects a contingency action agreed within Adult Social Care to help to address the significant budget pressures on community care packages.

Reporting Period		June	2010	
Financial Year		2010/11		
Directorate		Children's Services		
Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period	
		Staffing £000	Other Expenditure £000	
			Income £000	
			Total (Under) Overspend £000	
G	Early Years	Chief Officer Early Years and Youth Services (1,445)	61 (116)	(1,500)
R	Integrated Youth Support Service	Chief Officer Early Years and Youth Services (12)	585 (331)	242
R	Children's Social Care	Chief Officer Children and Young People's Social Care 7	7,964 (278)	7,693
G	Youth Offending Service	Chief Officer Early Years and Youth Services 97	(103) (63)	(69)
R	Dcs Unit	Deputy Director – Commissioning (3)	257 (3)	251
G	Support Costs and Central Accounts	Deputy Director – Commissioning 5	(1) (4)	0
G	Education Leads	Deputy Director – Commissioning 0	0 (1,900)	(1,900)
R	Total	(1,351)	8,763 (2,695)	4,717

## CHILDREN'S SERVICES: 2010/11 BUDGET – PERIOD 3 REPORT

### 1.0 Introduction

This report sets out the financial position for Children's Services for period 3.

### 2.0 Overall Summary

The period 3 position for Children's Services is a projected overspend of £4.7m. This forecast overspend, which is net of £7.75m of budget action plan savings, recognises the in-year reductions in funding, including the £5m reduction in Area Based Grant, and the actions necessary to deal with these budget reductions. Appendix 2 to this report provides further details of these reductions as well as the proposed strategies and budget action plans.

### 3.0 Explanation of the projected over/underspend

3.1 Within the overall Children's Services budget the individual service position is;

	<b>Period 3 Over/(under) £m</b>
DCS Unit & Central	0.2
CYPSC	7.7
IYSS & YOS	0.2
Early Years	(1.5)
Education	(1.9)
<b>Total – Children's Services</b>	<b>4.7</b>

### 3.2 Summary of key issues

3.2.1 In CYPSC, the main financial pressure continues to be in the externally provided residential and fostering budgets. At present, the forecast impact in 2010/11 of the current placements, less revised action plan savings, is **£8m**. In Summary, the £8m is made up of externally provided general residential placements (£4.3m), placements with Independent Fostering Agencies (£3.3m) and a £0.4m pressure around other externally provided residential placements (secure welfare, parental assessments and secure remand placements). In addition, there are pressures on the cost of legal advice (£0.1m), and transport (£0.25m) although the latter is mitigated in full by a budget action plan. These pressures are offset in part by savings on the allowances & fees for in-house carers (£0.3m) and on the costs of support for Care Leavers (£0.15m). In response to the £0.3m of ABG funding reductions in respect of Care Matters, Child Trust Funds, Children's Workforce Development and Designated Teacher funding, the service has developed action to reduce spend by £0.2m which include the plans to reduce the cost of personal tuition for Looked After Children and ceasing the top-ups for Child Trust Fund for Looked After Children.

3.2.2 In Early Years, the £1.5m forecast underspend is largely being generated across the staffing budgets and in particular across the Early Years managed Children's Centres, as part of the ongoing sustainability programme. In recognition of the £0.5m in-year reduction in ABG funding in respect of the Leeds Children's Fund, the service has developed a detailed strategy to immediately systematically review and reduce all Early Years and Leeds Children's Fund contracts & funding agreements across both

in-house and external provided services. In addition, the service is also implementing actions to manage the in-year reductions in the Nursery Education Pathfinder Grant (£0.15m), the Buddying grant (£0.18m) and Playbuilder grant (£20k).

- 3.2.3 Across IYSS (including YOS), we are anticipating an overspend of £0.2m. This forecast recognises the £2m in-year reduction in ABG funding (£1.6m for Connexions and £0.4m for Positive Activities for Young People). In response, the service have put in place a budget strategy which includes action to review and reduce all contracts & funding agreements across both in-house and externally provided services. This strategy will seek to prioritise remaining funding towards targeted and specialist provision although recognising that the Council still has a statutory responsibility for universal advice & guidance. In addition, the forecast overspend recognises the slippage on the implementation of the budget action plan in respect of the Community Use of Schools and also the reductions in LPSA2 Reward Grant funding
- 3.2.4 The forecast balanced position on the DCS & Central budgets assumes at this stage that the £1.25m integration & commissioning budget action plan savings will be delivered in full in 2010/11. Against, this £1.25m target, we have actioned £0.4m of savings and it is anticipated that more opportunities will be identified as part of the creation of the new Children's Services Directorate and the processes for back-office and front-line integration. The £0.2m forecast overspend reflects the reductions in ABG & LPSA2 funding in respect of the LSC staff transfer (£0.14m) and Teenage Pregnancy (£0.1m), although the service is developing proposals to reduce costs in line with these budget reductions.
- 3.2.5 The £1.9m forecast underspend on the Education budgets relates wholly to the budget action plan proposal to utilise the remaining Education Leeds operating surplus to offset the budget pressures elsewhere in Children's Services. In addition, Education Leeds have developed a detailed budget strategy to mitigate the in-year grant reductions, including the £1.9m reduction in ABG. These budget reductions, which will necessitate an in-year variation to the Education Leeds contract, include the scaling back of expenditure through in-year efficiencies, continued non-filling of vacant posts, etc.

#### **4.0 Budget Adjustments**

- 4.1 In order to enable the implementation of the new projections module and support automated financial reporting it is necessary to make some adjustments to the budget hierarchy within Children's Services.
- 4.2 These changes to the Chief Officer level within the budget hierarchy will enable the schools budgets to be isolated and thereby enable meaningful budget reporting directly from within the financial ledger across Children's Services. These changes are procedural and will not have any service or financial impact.

Reporting Period		June	2010
Financial Year		2010/11	
Directorate		City Development	
Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period
		Staffing £000	Other Expenditure £000
			Income £000
			Total (Under) Overspend £000
G	Economic Services	(92)	(1,148)
			160
			(1,080)
R	Asset Management	129	(131)
			569
			567
G	Highways and Transportation	(486)	(656)
			(739)
			(1,881)
G	Libraries, Arts and Heritage	2	(74)
			42
			(30)
R	Recreation	889	(492)
			476
			873
G	Support Services	4	(159)
			85
			(70)
R	Planning and Sustainable Development	617	204
	Development Officer		1,267
			2,088
R	<b>Total</b>	<b>1,062</b>	<b>(2,456)</b>
			<b>1,860</b>
			<b>469</b>

## CITY DEVELOPMENT DIRECTORATE: 2010/11 BUDGET – PERIOD 3 REPORT

### 1.0 Introduction

This report sets out the financial position for City Development Directorate for Period 3.

### 2.0 Overall Summary

The Period 3 position for City Development Directorate is a projected overspend of £0.469m. There have been some notable changes in the financial position of individual service areas, mainly due to the impact of the in year grant reductions and in the savings put forward across the directorate. These are explained in more detail below. The directorate will also continue to identify other saving options and will be bringing options forward to achieve a balanced position.

### 3.0 Explanation of the Projected Overspend

The main reasons for the projected overspend continue to be a shortfall in income from building fees, some shortfalls in income in Recreation Services and reduced workloads in Architectural Design Services. In addition an overspend on staffing is forecast in some areas where not all the assumed savings have been fully realised and some overspends on running costs where budget actions have yet to be achieved. The projected outturn position also reflects the in year reductions to a number of grants and agreed savings to manage these reductions and address other budget pressures within the directorate.

The overspend can be summarised as follows:

	£000s
<u>Major Budget Pressures:</u>	
Building Fees shortfall	648
ADS net income shortfall	598
Recreation income	500
Net Staffing	983
Loss of HPDG	900
Net other pressures	<u>332</u>
	3,961
Offset by:	
Contingency release requests	(876)
'Pot Hole' additional grant	(774)
LEGI Legacy	(842)
Additional directorate saving plan	<u>(1,000)</u>
<b>Total</b>	<b><u>469</u></b>

## **Income**

In 2009/10 there was a shortfall on key external income sources of £4.7m. This included shortfalls on planning and building fees, sport income, parks and countryside income, museums income and income in Asset Management. The 2010/11 budget has been adjusted to partly reflect the income trends in 2009/10 but it has been assumed that in some cases income trends will start to pick up in 2010/11 as the general economic position was expected to improve. Whilst planning fee income at period 3 is in line with the budget, building fee income is below the phased budget and there is no indication of an improvement at least in the short to medium term. The projected shortfall on building fee income is £648k. There is provision in central contingency of £400k for shortfalls in planning and building fee income.

Workloads are still an issue for ADS and this may become a greater problem following the recent announcement of reductions to various capital grants and the review of the current capital programme. There is a projected shortfall in income of £598k after allowing for reduced staffing costs and other savings. The service is actively working on a budget action plan to deal with this situation; this will include managing staffing downwards to an appropriate level. A further recent request for ELI's in this service has resulted in up to 12 expressions of interest, and the Chief Asset Management Officer is preparing a report with clear recommendations as to the future makeup of the service. Until firm decisions are made, ADS will continue to not achieve budget targets.

Whilst it is still early in the financial year, it is apparent that a number of income targets across Recreation Services are unlikely to be met. Some of the shortfall in income will be offset by reduced expenditure.

The recent announcement of cuts to various grants included the abolition of the Housing and Planning Delivery Grant. The directorate had budgeted to receive £900k in 2010/11. The loss of this grant has increased significantly the forecast overspend for Planning and Sustainable Development services. The government grant for the Free Swimming scheme has also been withdrawn from 31.7.10. Although charges will be re-instated there will still net a net shortfall in income in 2010/11. To partly offset these pressures it is proposed to reduce spend on highway maintenance which had already been enhanced by additional grant earlier in the year.

## **Staffing**

The 2010/11 budget includes challenging saving targets for staffing. Over 70 Early Leaver Initiative (ELI) cases were approved during 2009/10 and planned restructures are being progressed in a number of services. Most services are forecast to achieve these targets although in some areas such as Planning and Sustainable Development, Parks and Countryside and Sport and Active Recreation the targets will need to be reviewed and an overspend on staffing is likely.

Restructures are currently in progress in Parks and Countryside, Building Control and Sport and Active Recreation.

Measures to actively manage staffing will continue to be pursued, and all requests for post releases are presented to the City Development Directorate management team, and then approved individually by the Cors, and mostly on a temporary basis, and then only front line posts, where they are required to keep the service open, generate income, or health and safety. The ELI has been advertised again in areas continuing

to experience reduced workloads such as Building Control and ADS and this will be widened to other service areas within the directorate.

### **Operational Budgets**

Some operational budget overspends are due to delays in the implementation of actions assumed in the 2010/11 such as a delay in the planned closure of South Leeds Sport Centre estimated at an additional cost of £130k.

A major impact on operational budgets in Period 3 has been the reduction in Area Based Grant for the LEGI programme, Road Safety and two travel plan schemes in Highways. Services have now identified proposals to meet these reductions in grant.

Within the LEGI programme, some schemes have been delayed and it is proposed to utilise the unspent revenue balance of £842k to offset in year directorate pressures.

The Period 3 projection also incorporates a further £1m of saving proposals. These include a further reduction in highway maintenance spend of £476k, a reduction to the library book fund of £200k and a number of other savings in running costs across all services.

**Reporting Period** June 2010

**Financial Year** 2010/11

**Directorate** Environment & Neighbourhoods

	Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period			
				Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000
G		Safer Leeds Drugs Team	Chief Community Safety Officer	(177)	(2,062)	2,239	0
R		Street Scene Environmental Services	Chief Environmental Services Officer	54	764	(136)	682
R		Health and Environmental Action	Chief Environmental Services Officer	458	108	(482)	84
R		Car Parking Services	Chief Environmental Services Officer	(228)	(3)	1,016	785
R		Community Safety	Chief Community Safety Officer	129	(165)	144	108
G		Safer Leeds Partnership	Chief Community Safety Officer	(32)	(94)	(41)	(167)
R		Regeneration	Chief Regeneration Officer	662	1,588	(1,735)	515
R		Jobs & Skills	Chief Regeneration Officer	298	536	(309)	525
G		Community Centres	Chief Regeneration Officer	0	(71)	(134)	(205)
R		Housing Services	Director of Environment and Neighbourhoods	(57)	(2,891)	3,294	346
G		General Fund Support Services	Chief Officer Resources and Strategy	(116)	50	0	(66)
G		Waste Management	Chief Environmental Services Officer	(301)	(229)	(94)	(624)
R		<b>Total</b>		<b>690</b>	<b>(2,469)</b>	<b>3,763</b>	<b>1,984</b>

## **ENVIRONMENT & NEIGHBOURHOODS: 2010/11 BUDGET – PERIOD 3 REPORT**

### **1.0 Introduction**

This report sets out the financial position for Environment and Neighbourhoods Directorate for Period 3.

### **2.0 Overall Summary**

The period 3 position for Environment and Neighbourhoods Directorate projects an overspend of £1.98m. This projection reflects actions identified to address the in year reductions in both Area Based grant and LPSA2 reward grant.

### **3.0 Explanation of the Projected Overspend**

Neighbourhoods and Housing Services are projecting an overall variation of £1.056m, with the impact of reductions in Area Based grant, and LPSA2 grant (£1m) being addressed through a combination of the utilisation of other funding sources and the identification of efficiency savings.

Staffing variations of £1.3m largely reflect a combination of grant fallout in 2010/11, the costs associated with staff who are currently in managing workforce change and the implementation of a redesigned Jobs and Skills service within the Regeneration Division.

Income reductions of £0.40m largely relate to a reduction in the level of grant receivable in the Jobs and Skills service.

The Leeds Asylum Service has received notification from the Regional Migration Team that UK Borders & Immigration Agency (UKBIA) will reduce the number of asylum seekers in the current contract. As a result of this decision income is forecast to reduce by £0.989m which is partially offset by savings on running costs of £0.576m. Further, UKBIA have also terminated the Hillside Induction Contract from 1 October, the half year effect of this is a net loss of income of £0.203m.

These pressures are partially offset by the identification of expenditure for which is more appropriate to charge to the Housing Revenue Account (£0.5m), whilst a review of all items of expenditure has targeted further savings of £0.345m across all services.

Through a combination of identified efficiencies, combined with a higher level of voids with the subsequent reduction in payments to providers, an underspend of £0.5m on the Supporting People grant is projected.

Following the withdrawal of and the cessation of previously ring fenced grants to the Safer Leeds partnership, it is been determined that it is more appropriate that the partnership be fully integrated into Community Safety function so that the Chief Officer for Community Safety will now have full responsibility for the integrated service.

Within Environmental Services an overspend of £0.928m is forecast.

Staffing projections (excluding grant fallout) across the Division indicate a saving of £0.6m achieved. However potential costs resulting from the implementation of equal pay within Streetscene Services are estimated at £0.2m after the utilisation of contingency.

The delivery of the Streetscene Change Programme has been impacted upon by the fact that the process for the delivery of the identified efficiency savings has proved to be complex and this has resulted in a variation of £0.6m when compared to the targeted level of saving. However as a result of this, the full year savings are now anticipated to increase to £2.4m from the £2m originally projected.

Ongoing increased fuel prices across Streetscene are estimated at £0.2m.

The loss of £1.2m LPSA2 grant has been partially offset by a retraction of resources utilised of £0.4m and alternative funding is being sought for £0.5m, leaving a budget pressure of £0.3m.

Car parking income is projected to be £1.0m lower than the budget and this is largely as a result of reduced patronage of car parks and a reduction in the number of parking offences. The implementation of bus lane enforcement in the City Centre is now scheduled for January 2011.

After a review of all running costs across the division, including waste disposal costs, savings of £0.6m have been identified. Additional income of £0.1m is estimated from the increased price of recycled scrap metal and glass.

### **Housing Revenue Account (HRA)**

At the end of Period 3 the HRA is projecting a surplus of £129k.

Void levels for the first three months are lower than budgeted which if maintained will generate additional rental income (£1,069k). This income will be paid over to the ALMOs as additional incentive payments. The increase in income, due to a reduction in the number of void properties, is partially offset by Right to Buy (RTB) sales for 2009/10 being higher than anticipated.

Current projections are that 114 properties will be sold in 2010/11, which is 23 more than in 2009/10, which will further reduce the amount of rental income. To the end of June 2010 there were 16 completions

Property Services are currently projecting a shortfall in fee income from the ALMOs (£137k) although it is envisaged that this will be partially offset by increased income from other sources. The projected costs associated with downsizing the service to match future workloads will continue to be met from the earmarked reserve set aside for this purpose.

The increase in pass through costs and the need to meet the cost of access refusals in relation to the Swarcliffe PFI scheme will be funded from the Sinking Fund (£225k). In addition, the cost of environmental works (£180k) will be funded from a reserve set up in previous years for this purpose.

There are projected savings of £218k on salaries and wages, primarily due to posts being held vacant and a number of additional officers taking early retirement at the end of March 2010.

At Quarter 1 a review of the position in respect of the contribution to the bad debt provision indicates a saving of £94k.

Reporting Period		June	2010
Financial Year		2010/11	
Directorate	Resources		
Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period
		Staffing £000	Total (Under) Overspend £000
			Income £000
			Other Expenditure £000
G	Financial Management	17	(5)
G	Business Support Centre	(69)	(16)
G	Financial Development	(87)	12
G	Cost of Collection	0	(14)
R	Revenue Services	87	12
G	Benefits Service	(187)	(6)
G	Student Support	(113)	(8)
G	Housing Benefit	0	(248)
G	Information Technology	(546)	398
G	Human Resources	(391)	213
G	Audit & Risk	(335)	(23)
R	Support Services and Directorate	113	2
R	Public Private Partnership Unit	(111)	(33)
G	Corporate Property Management	(113)	(206)
G	Commercial Services	(373)	226
G	Commercial Services Trading	461	514
G		(1,645)	882
			(819)
			(1,583)

Reporting Period		June	2010
Financial Year		2010/11	
Directorate	Corporate Governance		
Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period
		Staffing	Other Expenditure
		£000	£000
		Income	Total (Under) Overspend
		£000	£000
G	Legal, Licensing and Registration	Chief Legal Services Officer	(256) 106 (200) (350)
A	Democratic Services	Chief Democratic Services Officer	15 19 7 40
G	Procurement	Chief Procurement Officer	127 12 (136) 2
G	Total	(115)	137 (330) (308)

**Reporting Period**      June                      2010

**Financial Year**                      2010/11

**Directorate**                      Planning, Policy and Improvement

Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period			
			Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000
<span style="background-color: red; color: white;">R</span>	Executive Support	Assistant Chief Executive	32	42	(64)	10
<span style="background-color: green; color: white;">G</span>	Customer Services	Chief Officer Customer Services	124	(280)	146	(10)
<span style="background-color: green; color: white;">G</span>	Leeds Initiative & Partnerships	Chief Officer LIP	90	(65)	(116)	(90)
<span style="background-color: red; color: white;">R</span>	Business Transformation	Chief Officer Business Transformation	(165)	(111)	430	154
<span style="background-color: green; color: white;">G</span>	PPI Management & Support	Assistant Chief Executive	(21)	(163)	6	(178)
<span style="background-color: green; color: white;">G</span>	<b>Total</b>		<b>60</b>	<b>(577)</b>	<b>402</b>	<b>(115)</b>

## **CENTRAL AND CORPORATE FUNCTIONS: 2010/11 BUDGET – MONTH 3**

### **1.0 Introduction**

This report sets out the financial position for Central and Corporate Functions for period 3 of 2010/11.

### **2.0 Overall Summary**

The year end projection shows an overall underspend of £2m.

### **3.0 Explanation of the projected underspend**

#### **Resources (£1,584k underspend)**

The main elements of the savings action plan are:

- Pay savings of £1,266k mainly through non-filling of vacancies
- Savings on running costs of £638k, mainly within Commercial Services
- Review of Housing Benefits overpayments bad debt provision: £200k
- Offset by a net reduction of income to PPPU of £224k

Commercial Services and Corporate Property Management have also identified savings totaling £750k that will be passed through to internal clients. Also, PPPU charges to clients are projected to be £281k less than the Original Estimate.

In addition an amount of £177k will be brought into the revenue account from the 'PPPU staff retention' reserve as this will no longer be required. This is a one-off gain.

Unfortunately the £270k reduction in external audit fee is not now expected. KPMG have currently advised that next year's fee will reduce by £24k although discussions are ongoing.

Within ICT, a shortfall in the budgeted savings of conversion of DEL lines of £348k is offset by pay savings of £546k.

#### **Planning, Policy and Improvement (£115k underspend)**

The service is projecting an overall underspend of £115k due to action plan savings - the main elements being:

- Reduction of 'About Leeds' from 4 to 2 editions, stop residents survey follow up, BT and Yellow Pages ads and other consultation work (£109k)
- Customer Services, £143k, mainly staffing savings
- Reduction in 'grant' to Marketing Leeds (£50k)
- Leeds Initiative and Partnership running costs (£30k)

#### **Corporate Governance (£308k underspend)**

The £308k projected underspend is largely as a result of the savings action plan of £30k from Democratic Services running costs plus various initiatives within Legal Services amounting to £200k. The remaining £78k is a combination of other variations, both underspends on running costs and additional income.