



Report of the Director of Resources

Executive Board

Date: 11th February 2011

Subject: Financial Health Monitoring 2010/11 – Third 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 at the half year stage 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. An overall overspend of £12.3m in Directorates is projected at the third quarter compared to £16.4m at the half year stage. Detailed directorate reports are included at Appendix 1.
3. However, a number of corporate savings have been identified which will result in an overall projected underspend of £5.2m, which will be added to General Reserves.
4. Members are asked to note the projected financial position of the authority after nine months of the financial year including the forecast level of Reserves. It should be noted that the 2011/12 revenue budget report includes proposals to use £2m of Reserves to support the budget, which is reliant upon achieving a significant underspend in the current year.
5. Members are also requested to approve the budget adjustment 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 nine 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 budget¹ 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 31st March 2011 were estimated to be £12.0m.
- 2.2. As reported to Corporate Governance and Audit Committee² in the 2009/10 Statement of Accounts report on 30th June 2010 the balance carried forward at 31st March 2010 was £16.1m.
- 2.3 Budget Monitoring is a continuous process throughout the year, and this report reviews the position of the budget after nine months and comments on the key issues impacting on the overall achievement of the budget for the current year.

3. MAIN ISSUES

- 3.1 After nine months of the financial year an underspend of £5.2m 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.

Table 1

Directorate	Director	(Under) / Over Spend for the current period				Half year (Under)/Over Spend £000
		Staffing	Other Expenditure	Income	Total (Under) Overspend	
		£000	£000	£000	£000	
Adult Social Care	Sandie Keene	(73)	8,889	(4,061)	4,755	8,813
Children's Services	Nigel Richardson	(555)	10,992	(4,902)	5,534	6,989
City Development	Martin Farrington	882	(4,341)	4,438	978	542
Environment & Neighbourhoods	Neil Evans	1,217	667	94	1,978	1,813
Resources	Alan Gay	(2,686)	1,504	431	(751)	(1,428)
Corporate Governance	Nicole Jackson	101	739	(944)	(104)	(192)
Planning, Policy and Improvement	James Rogers	113	593	(821)	(115)	(115)
Total		(1,002)	19,042	(5,765)	12,275	16,421
Corporate issues						
					(600)	(600)
Rolled up interest					(3,200)	(2,500)
Capitalisation					(2,000)	(2,100)
Contingency Fund					500	500
Loss of LABGI grant					(3,200)	(3,200)
Use of balance sheet items					2,800	
Net Cost of VERs/VS agreed					(3,400)	
Debt Charge savings					(8,400)	
Funding of credit arrangements						
Total					(5,225)	8,521

Reserves	
Balance b/f	16.1
Generated in-year	5.22
Balance c/f	21.32

3.3 Full details of directorate variations and proposed actions are attached as Appendix 1. These variations reflect all approved virements to date. The main variations can be analysed as follows:

3.3.1 Staffing

The overall staffing budget is projected to underspend by £1.0m compared to £2.2m at the half year, mainly due to a virement from staffing to reduce the pressure on placement budgets with Adult Social Care. The total projected pay savings when compared to the Original Estimate is £3.1m. Staff savings reflect the continued management of vacancies, overtime and the use of agency staff throughout the Council, partly offset by £0.5m reflecting the impact on the staffing budget of the in year reductions in grants. In some areas, services are managing workforce change and redesigning services to meet reduced demand. This particularly applies to City Development and Environment and Neighbourhoods.

3.3.2 Other Expenditure Variations

Other expenditure variations total £19.0m compared to £15.4m at the half year. However this variation can largely be explained by expenditure associated with the Future Jobs Fund which is offset by a corresponding increase in income.

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 £11.8m overspent at the end of the financial year, an increase of £0.7m. Within Adult Social Care, Domiciliary Care is projected to be £3.9m higher than budget, a reduction of £0.9m from the half year position.

3.3.3 Income

Projected income has changed from a shortfall at the half year of £3.2m to a surplus of £5.8m. This is due to the Future Jobs Fund income of £3.0m plus £4.3m from NHS Leeds from to support reablement and effective outcomes around hospital avoidance and discharges in Adult Social Care, and £1.0m contribution to placements in Children's Services. Other variations are broadly in line with the half year position. The main pressures on income are car parking £1.6m which is due to slippage of bus lane enforcement income into 2011/12 and the impact of the adverse weather in December, recreation £0.6m, and architectural design services £0.5m. In addition, within Environment and Neighbourhoods, Yorkshire Forward in responding to reductions in their funding 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 £0.7m.

3.3.4 Corporate Issues

The 2010/11 budget included a challenging savings target in respect of debt charges. At the end of the third quarter a saving of £3.4m is projected. This is due to the continuing low cost of short term borrowing.

The latest projection assumes additional capitalisation of £3.2m can be achieved at the year end, based on the levels achieved in 2009/10, and the intention to capitalise library books.

A general provision of £3.2m for unforeseen events was included in the contingency fund - £2.0m of this amount remains unspent.

A detailed examination of balance sheets has resulted in £3.2m being made available to support in year budget pressures. In addition, it is proposed to utilise the remaining Education Leeds operating surplus to offset the budget pressures in Children's services.

Recent changes to the accounting rules regarding the treatment of PFI schemes has meant that an element of the PFI payment is now recognised as capital spend and, in accordance with legislation, can therefore be funded from capital receipts. For 2010/11 the amount of PFI payments is £8.4m and it is proposed to use capital receipts instead of revenue to fund this element. This is in accordance with proper accounting practice and is consistent with the newly applied international accounting standards for Local Government. This has been discussed and agreed with the Council's external auditors. The capital receipts will no longer be available to fund capital schemes which will result in additional borrowing costs.

In accordance with the Early Leavers Initiative, it is projected that the cost of allowing staff to leave under the VER/VS scheme in the current year will be £8.5m of which

£5.7m can be capitalised following receipt of a capitalisation directive from the Government. Significant savings will be made in future years by not replacing staff.

4 HOUSING REVENUE ACCOUNT (HRA)

- 4.1 At the end of Quarter 3 the HRA is projecting a deficit of £1.4m. Expenditure pressures of £2.7m have been partly offset by a projected increase in net rental income of £0.7m and savings of £0.4m on employee costs. Details are contained in the directorate report in appendix 1.
- 4.2 Included in the pressures is £0.9m procurement costs associated with the Lifetime Homes PFI scheme which cannot be capitalised as the scheme is not now proceeding. In order to mitigate against this pressure, Executive Board are asked to approve the release of the £0.5m reserve set aside in previous years for the Lifetime Homes PFI project.
- 4.3 The projected year end deficit will be funded from HRA Reserves which will result in HRA reserves carried forward of £2.5m.

5. SCHOOLS

- 5.1 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 (SILCs). It should be noted that within these overall surpluses there were some individual schools with deficit balances. The average primary school balance was 6.2%, the average secondary school balance was 2.1% and the average SILC balance was 2.5% of the school budget. Excess individual school surpluses above specified limits were subject to claw back and redistribution to the other schools. These totalled £159k in 2009/10.
- 5.2 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 (11 schools) have now been submitted to Education Leeds and assessed for their viability with implementation monitored regularly. They were also submitted to the Director of Resources as per the approved policy. However, two of the submissions have not been recommended for approval.

6. OTHER FINANCIAL PERFORMANCE

- 6.1 The level of council tax collected at the end of Dec 2010 is 83.40% 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 of 96.5%.
- 6.2 The collection of non-domestic rates for the first nine months is 87.95% of the current net debit of £329m. The collection rate is 0.5% ahead of the rate at the end of the third quarter last year. The current collection forecast for the year is 98.0% (0.2% above the original target).
- 6.3 In terms of Sundry income, the collection rate at the end of Sept is 95.43% of the amount due of £95.7m. 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%.

6.4 The prompt payment result at the end of December is 89.66% of undisputed processed within 30 days against a target of 92%. During the period 432,729 invoices were paid, of which 44,762 were paid after 30 days. Overall 95.1% of invoices are paid within 40 days and 100% of small suppliers are paid within 20 days.

7. **RECOMMENDATION**

7.1 Members of the Executive Board are asked to note the projected financial position of the authority after nine months of the financial year and the level of Reserves carried forward to 2011/12.

7.2 Members are also requested to approve the release of £500k from HRA reserves to offset the pressure as a result of the Lifetime Homes PFI project not proceeding.

BACKGROUND

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

² The Statement of Accounts 2009/10 – report to Corporate Governance and Audit Committee 30th June 2010

Appendix 1

Reporting Period	December	2010	Directorate	Service	Chief Officer	(Under) / Over Spend for the current period			Half year (Under)/Over Spend £000
						Staffing £000	Other Expenditure £000	Total (Under) Overspend £000	
G			Partnership & Organisational Development	Deputy Director-Partnership and Organisational Effectiveness	(72)	99	(95)	(68)	26
R			Access & Inclusion	Chief Officer Access and Inclusion	(469)	8,445	(4,129)	3,847	8,711
G			Strategic Commissioning	Deputy Director Strategic Commissioning	(103)	(195)	(92)	(389)	(854)
G			Resources	Chief Officer Resources & Strategy	(231)	(55)	105	(181)	(30)
R			Learning Disabilities Service	Chief Officer Learning Disabilities	802	594	150	1,546	960
R			Total		(73)	8,889	(4,061)	4,755	8,813

ADULT SOCIAL CARE DIRECTORATE: 2010/11 BUDGET – PERIOD 9 REPORT

1.0 Introduction

This report sets out the financial position for the Adult Social Care directorate for Period 9.

Part of the context for the current position relates back to the 2009/10 outturn, which was £7.7m higher than the budget. The main variations related to community care packages, mainly for older people and people with learning disabilities.

The 2010/11 budget included additional resources for Adult Social Care of £4.5m. However, additional requirements significantly exceeded this increased funding, mainly reflecting the demographic pressures affecting older people's and learning disability services that impacted on the 2009/10 outturn. In order to fund them £18.4m of measures needed to be included within the 2010/11 budget for different ways of spending.

2.0 Overall Summary

The Period 9 position for the Adult Social Care Directorate is a projected overspend of £4.8m compared with the Net Managed Budget of £182m. This takes account of the following savings on target to be delivered by the year-end:

Budgeted spending realignment (£18.4m budget target)	£10.9m
Further in-year action plans & contingency actions	£4.2m
Savings that have avoided additional costs being incurred	£1.8m

In summary, the projected variance of £4.8m is made up of three main elements:

Slippage with budgeted action plans	£3.9m
Demand management issues	£8.6m
In-year health funding	(£4.3m)
In-year savings & other variations (net)	(£3.4m)

3.0 Explanation of the Projected Overspend

The main projected variances are explained below:

- **Community Care Packages - £9m**

- Residential and Nursing Care Placements - £4.8m

- The 2009/10 outturn for placements was £64.8m. The 2010/11 budget was set at £59.4m, anticipating an accelerating downward trend and reflecting a number of planned actions. Some of these totaling £1.3m have been successfully delivered, for example managing inflation and making better use of in-house beds, although a shortfall of £0.7m is currently projected against these plans. However, based on nine months of rigorous gatekeeping the total number of placements is projected to exceed the budget and thus anticipated demand management savings will not be achieved. This accounts for a projected overspend of £5.1m, which has been partly offset by an in-year

virement of £1m. With regard to managing demand, there are two significant factors that are outside the direct control of Adult Social Care:

- Activity levels within hospitals, which increased significantly in April 2009 and have remained at a similar level since. In addition, people are being placed in residential and nursing care direct from hospital without a further period for recovery and assessment, which is contrary to good practice guidelines. There have been 490 such placements between April and December. Work is underway with NHS Leeds to attempt to address these issues.
- When former self-funders reach the threshold for local authority funding the Council has a legal duty to begin paying for their continued placement. 88 such cases were taken on in the first nine months of 2010/11.

The scrutiny at gatekeeping panels has confirmed that people are being placed appropriately and the average age of clients placed to date this year is 83 years.

Independent Sector Domiciliary Care - £3.9m

The 2010/11 budget was set anticipating an improvement in the take-up of work by the directly provided service, a reduced need for high cost packages through the impact of reablement and telecare and savings through contracting efficiencies. Accordingly, the 2010/11 budget was set at £4.4m less than the 2009/10 outturn. Some measures are succeeding with projected savings totaling £1m, mainly from telecare and contracting efficiencies. In addition, based on the increased productivity within the directly provided service since the start of the financial year, spend of £1.8m in the independent sector has been avoided. However, there has been slippage in delivering the budgeted reablement savings which reflects a lack of programme management capacity for this major piece of work until the start of the financial year and lessons learned from the early implementer areas necessitating full roll-out being rescheduled over a longer time period. This, together with some relatively minor slippage on other planned actions, accounts for £2.3m of the projected overspend. A further £3.2m reflects increased demand that has continued since the 2010/11 budget was set, partly offset by an in-year virement of £1.6m. Significant contributory factors outside the direct control of Adult Social Care are the hospital admission and discharge rates and the level of demand for care from people with eligible social care needs. Rigorous gatekeeping arrangements have been in place throughout 2010/11, which has identified that the packages being approved are appropriate given the needs of customers and the average age of people approved to receive intensive care packages is 85 years.

Direct Payments & Personal Budgets – (£0.4m)

This 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 £0.4m lower than budgeted based on trends in spend over recent months.

Learning Disability Pooled Budget - £0.7m

The Council and NHS Leeds share the responsibility for the learning disability pooled budget on a 60:40 basis. The overall projection for the pooled budget is currently £1.1m higher than budgeted, of which the Council's share is £0.8m. The 2010/11 budget made provision for new care packages based on cases expected to transfer from children's to adult services and projected spend is in

line with the budget. A further provision was made for new or increased care packages for other potential customers, for example those living with elderly family carers whose increasing age and frailty means they can no longer provide care. The projected costs for these cases are higher than budgeted, with three complex cases approved at the start of the year amounting to £0.7m.

- **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. There is excess capacity within the residential care sector in Leeds and recently some new purpose-built care homes with the most modern facilities have become operational, both of which have affected demand for beds in Council run homes.

- **Other Income – (£4.8m)**

This mainly reflects funding of £4.3m from NHS Leeds to support reablement and effective outcomes around hospital avoidance and hospital discharge. It also includes in-year utilisation of Social Care Reform Grant funding and additional Housing Benefit income for supported living properties.

Reporting Period December 2010

Directorate Children's Services

Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period				Half year (Under)/Over Spend £000
			Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000	
G	Early Years	Chief Officer Early Years and Youth Services	(1,505)	(876)	(164)	(2,545)	(2,178)
R	Integrated Youth Support Service	Chief Officer Early Years and Youth Services	(78)	499	244	665	787
R	Children's Social Care	Chief Officer Children and Young People's Social Care	623	11,651	(1,665)	10,609	10,839
G	Youth Offending Service	Chief Officer Early Years and Youth Services	110	(133)	(607)	(630)	(611)
G	Des Unit	Deputy Director – Commissioning	159	(20)	(20)	118	(20)
G	Support Costs and Central Accounts	Deputy Director – Commissioning	136	(129)	(5)	2	(3)
G	Education Leads	Deputy Director – Commissioning	0	0	(2,684)	(2,684)	(1,825)
R	Total		(555)	10,992	(4,902)	5,534	6,989

CHILDREN'S SERVICES: 2010/11 BUDGET – 3RD QUARTER REPORT

1.0 Introduction

This report sets out the third quarter financial position for Children's Services.

2.0 Overall Summary

The third quarter position for Children's Services is a projected overspend of £5.5m. This projection continues to recognise financial pressures in 2010/11 of around £22m which reflects increasing demand pressures and also the in-year reductions in grant funding, including the £5m reduction in Area Based Grant. These pressures are offset by £17m of budget action plans and savings/efficiencies across the Directorate, including the delivery of the Children's Services integration budget action plan, using balance sheet reserves, the grant/funding reductions strategies as well as the Children's Centre sustainability programme.

3.0 Explanation of the projected over/underspend

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

	Period 9 Over/(under) £m
DCS Unit & Central	1.1
Children & Young People's Social Care	10.6
Youth Service & Youth Offending Service	-
Early Years	(2.5)
Education	(3.7)
Total – Children's Services	5.5

3.2 Summary of key issues

3.2.1 The main financial pressure in Children's Services, 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 **£11.77m**.

		Latest Budget £m	Forecast Outturn (Qtr 3) £m	Forecast Variation (Qtr 3) £m
1) General Residential Placements	Gross Cost	5.82	12.06	6.24
	Income from Health	(0.59)	(0.60)	(0.01)
	Income from Education	(0.30)	(0.28)	0.02
	Total	4.93	11.18	6.25
2) Other Residential Placements	Gross Cost	1.27	1.81	0.54
3) Independent Sector Fostering Agencies	Gross Cost	2.09	7.07	4.98
	Less: Budget Savings Plan	0.00	0.00	0.00
	Total	2.09	7.07	4.98
4) Grand Total	Gross Cost	9.18	20.94	(0.64)
	Budget Savings Plan	0.00	0.00	0.56
	Income from Health	(0.59)	(0.60)	0.00
	Income from Education	(0.30)	(0.28)	0.00
	Total	8.29	20.06	11.77

3.2.2 The third quarter financial projections recognise the growth in the number of looked after children and specifically the continuing growth in the number of externally

provided residential and fostering placements. At the end of December, there were 83 children & young people in externally provided residential placements (48 budgeted for) and 182 children & young people in placements with Independent Fostering Agencies (44 budgeted for). Recognising the current growth trend around new placements, the financial projections include a £0.27m provision for new placements to the end of March 2011. The pressures on the external placement budgets are partly offset by projected savings of £1.3m on the in-house allowances & fees budgets, which reflects the changing mix of placements.

- 3.2.3 Other budget pressures in Children & Young People's Social Care include a £0.8m pressure on the cost of legal advice/fees, and also a £0.3m pressure on client transport.
- 3.2.4 In Early Years, the £2.5m forecast underspend is largely being generated across the staffing budgets and in particular across the Early Years managed Children's Centres. In recognition of the £2.49m in-year reduction in Area Based Grant funding across Leeds Children's Fund, Connexions, Positive Activities and Engage, the service has implemented the in-year variations to contracts in respect of Sure Start and Leeds Children's Fund. In addition, the service is managing in-year reductions across other specific grants, including the Nursery Education Pathfinder Grant (£0.15m), the Buddying grant (£0.18m) and Playbuilder grant (£20k).
- 3.2.5 Across the Integrated Youth Support Service (including the Youth Offending Service), we are projecting a balanced budget. Again, this forecast recognises the strategy to manage the £2.49m in-year reduction in Area Based Grant funding across Leeds Children's Fund, Connexions, Positive Activities, Engage and other specific grants. Following Executive Board approval, the service has implemented the agreed strategy which included reductions to contracts & funding agreements across both in-house and externally provided services. In addition, the projection also recognises the budget action plan to utilise the £0.5m Youth Offending Service earmarked reserve.
- 3.2.6 The forecast variation on the DCS & Central budgets reflects the £1.25m integration & commissioning budget action plan for 2010/11. Against, this £1.25m target, we have actioned £0.3m of savings and the remaining balance will be delivered through in-year savings and efficiencies across Education Leeds which is included in the £3.7m projected underspend.
- 3.2.7 The £3.7m forecast underspend on the Education budgets relates to the decision to use the remaining £1.9m Education Leeds operating surplus in 2010/11. In addition, Education Leeds are projecting an in-year underspend of £3.2m which, after deducting the impact of the in-year £1.465m reduction in funding, leaves an in-year underspend of £1.8m.

Reporting Period December 2010

Directorate City Development

Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period			Half year (Under)/Over Spend £000	
			Staffing £000	Other Expenditure £000	Income £000		Total (Under) Overspend £000
G	Economic Services	Chief Economic Development Officer	(60)	(435)	(295)	(790)	(817)
R	Asset Management	Chief Officer Asset Management	208	(316)	695	587	383
G	Highways and Transportation	Chief Officer Highways and Transportation	(558)	(2,288)	659	(2,188)	(2,237)
G	Libraries, Arts and Heritage	Chief Libraries, Arts and Heritage Officer	(326)	(266)	165	(426)	(241)
R	Recreation	Chief Recreation Officer	1,101	(857)	991	1,235	1,072
G	Resources and Strategy	Chief Officer Resources and Strategy	(99)	(365)	123	(342)	(101)
R	Planning and Sustainable Development	Chief Planning and Sustainable Development Officer	616	187	2,101	2,903	2,482
R	Total		882	(4,341)	4,438	978	541

CITY DEVELOPMENT DIRECTORATE: 2010/11 BUDGET – PERIOD 9 REPORT

1.0 Introduction

This report sets out the financial position for City Development Directorate for Period 9.

2.0 Overall Summary

The Period 9 position for City Development Directorate is a projected overspend of £978k reflecting an increase from the second quarter of £434k mainly reflecting continued decline in income streams.

As expected, staffing costs have reduced as staff begin to leave the Directorate through the corporate Early Leaver Initiative although the saving so far has been more than offset by the reduction in projected income. The directorate is now also actively looking to reduce spend in the final quarter to generate additional savings to reduce the projected overspend.

3.0 Explanation of the Projected Overspend

The main reason for the overall projected overspend is a significant shortfall in income. The shortfall in income across the directorate is now forecast to be £4.4m and despite continued efforts to reduce expenditure the increasing income shortfall means that it is proving difficult to reduce the projected overspend. The income shortfall does include the abolition of the Housing and Planning Delivery Grant (HPDG) and Free Swimming grants with a net impact of approximately £1m.

The major budget variations can be summarised as follows:

	£000s
<u>Major Budget Pressures:</u>	
Building Fees shortfall	499
Planning Fees shortfall	942
Architectural Design Services net income shortfall	492
Recreation income	613
Net Staffing	882
Planning appeal costs	400
Loss of HPDG	<u>900</u>
	4,728
 Offset proposals:	
Contingency release requests	(966)
Highway spend	(1,250)
Library book fund	(300)
LEGI underspend (Legacy programme)	(842)
Net other variations	<u>(392)</u>
 Total	 978

Income

The overall projected shortfall on income has increased since the half year. The main increase is the shortfall on planning and building fees with the year end projected shortfall £942k for planning fees and £499k for building fees.

Architectural Design Services has been experiencing reducing workloads for some time and a consultation exercise on the future direction of this service is now being carried out. Overall a net income shortfall of £492k is now forecast for the year, this is higher than the position reported at the half year and reflects a reduction in commissions expected to the end of the year. The service is also continuing to work on an action plan to deal with the budget position, this includes managing staffing downwards to an appropriate level.

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 announcement of in year 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 have been re-instated there will still be a net shortfall in income in 2010/11.

Staffing

The 2010/11 budget includes challenging saving targets for staffing. All services have been progressing Early Leaver cases and a number of restructures have been taking place in the directorate and FTEs have reduced by 79 since March 2010. 98 Applications under the corporate Early Leaver Initiative have now been progressed and it is envisaged that this will lead to further staff savings this financial year from agreeing reductions in hours and from staff leaving during early 2011 and not being replaced. An additional 25 applications under the scheme are due to be submitted shortly which will mean a total fte reduction of 202, the equivalent of 7.85%. The overspend on staffing is also partly explained by additional upfront voluntary retirement and severance costs of £330k incurred as part of planned reductions in staffing prior to the corporate early leaver initiative. These costs may be capitalised as part of the overall ELI initiative and therefore result in a reduction to the projected overspend.

Restructures have now been approved in Planning Services, Building Control, and Parks and Countryside and the Sport structure and Highways Design and Construction structure proposals are now out for consultation.

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. Approvals to fill posts are 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.

Operational Budgets

Some operational budget overspends are due to delays in the implementation of actions, the Executive Board decision to extend by four months the opening of South

Leeds Sport Centre, cost an estimated additional £130k. There will be an overspend of £40k on the Small Business Support Scheme administered by Economic Development due to additional commitments against the scheme. Other budget pressures include additional expenditure of £400k on planning appeals in Planning and Sustainable Development.

Within the Local Enterprise Growth Initiative programme some schemes have been delayed and it is proposed to utilise the unspent revenue balance of £842k to offset in year directorate pressures although the approval of the Legacy programme means that funding will be required in 2011/12 and 2012/13 for the Legacy Programme.

The projection includes a number of savings proposals including a reduction in the library book fund of £300k.

The projection also incorporates other proposed actions including savings on highway spend of £1.25m although the highway maintenance budget has also been enhanced this year by the receipt of an additional £774k from the 'pot hole' grant. This additional funding will be fully spent on eligible schemes in line with the terms and conditions of the grant. The service is also looking at options for other savings which would reduce the actual saving required on the maintenance budget. Across the directorate spend will continue to be tightly controlled with the aim of generating additional savings in the final quarter.

Reporting Period December 2010

Directorate Environment & Neighbourhoods

Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period				Half year (Under)/Over Spend £000
			Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000	
G	Safer Leeds Drugs Team	Chief Community Safety Officer	47	107	(154)	0	0
R	Street Scene Environmental Services	Chief Environmental Services Officer	327	1,094	(168)	1,253	938
G	Health and Environmental Action	Chief Environmental Services Officer	359	(48)	(400)	(89)	206
R	Car Parking Services	Chief Environmental Services Officer	(235)	268	1,167	1,199	786
R	Community Safety	Chief Community Safety Officer	107	274	(276)	105	22
G	Safer Leeds Partnership	Chief Community Safety Officer	0	0	0	0	0
R	Regeneration	Chief Regeneration Officer	510	(142)	(7)	361	381
R	Jobs & Skills	Chief Regeneration Officer	599	144	(95)	649	677
G	Community Centres	Chief Regeneration Officer	0	(102)	(111)	(213)	(200)
G	Housing Services	Director of Environment and Neighbourhoods	(137)	(820)	298	(659)	(122)
G	General Fund Support Services	Chief Officer Resources and Strategy	(65)	4	0	(61)	(51)
G	Waste Management	Chief Environmental Services Officer	(294)	(113)	(160)	(567)	(824)
R	Total		1,217	667	94	1,978	1,813

ENVIRONMENT AND NEIGHBOURHOODS: 2010/11 BUDGET – PERIOD 9 REPORT

1.0 Introduction

This report sets out the financial position for Environment and Neighbourhoods Directorate for Period 9.

2.0 Overall Summary

The period 9 position for Environment and Neighbourhoods Directorate projects an overspend of £2.0m, compared to £1.8m at the half year. The projected variation comprises £1.8m on Environment Services, and £0.2m on Neighbourhoods and Housing Services. 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 £0.2m. This position reflects the impact of reductions in Area Based grant, and LPSA2 grant (£1.3m) being addressed through a combination of the utilisation of other funding sources and the identification of efficiency savings. A variance of £0.1m in terms of grant retraction arrangements is reflected in the Directorate's projected outturn position.

Staffing variations of £1.0m largely reflect a combination of grant fallout in 2010/11, the costs associated with staff who are currently in managing workforce change and further work to redesign the Jobs and Skills service to support Council priorities.

Income reductions of £0.4m 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 income is forecast to reduce by £1.1m which is partially offset by savings on running costs of £0.6m. This also assumes the contract extension is awarded. Further, UKBIA have also terminated the Hillside Induction Contract from 1st October, half year effect of this is a net loss of income of £0.2m.

These pressures are partially offset by the identification of expenditure for which it is more appropriate to charge to the Housing Revenue Account (£1m), whilst a review of all items of expenditure has targeted further savings of £0.3m 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.

Within Environmental Services an overspend of £1.8m is now forecast.

Staffing projections (excluding the effects of grant fallout) across the Division indicate a saving of £1.0m will be achieved.

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 £1.1m when compared to the targeted level of saving (£1.4m).

Ongoing increased fuel prices across Streetscene are estimated at £0.3m and increased repairs on vehicles £0.3m, mainly due to landfill damage.

The loss of £1.12m LPSA2 grant which has been partially offset by a retraction of resources utilized, leaves a budget pressure of £0.7m. A one-off funding source of £0.2m will reduce this grant pressure further.

Car parking income continues to be projected at £1.6m 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 poor weather in November and early December has also had an adverse effect on income. The implementation of bus lane enforcement in the City Centre is now not anticipated to be fully operational until the new financial year.

After a review of all running costs across the division and the curtailment of all but absolute essential spend, savings of £0.8m have been identified. Additional income of £0.2m is estimated from the increased price of recycled scrap metal and glass.

Housing Revenue Account

At the end of Quarter 3 the HRA is projecting a deficit of £1,388k. This is primarily due to the following pressures

- A recharge of £1,000k from the General Fund for expenditure associated with CCTV and community centres for which it is more appropriate to charge to the HRA.
- A pressure of £958k due to the fact that procurement costs associated with the Lifetime Homes PFI cannot be capitalised as the project is no longer proceeding.
- A pressure of £379k due to a projected reduction in the procurement costs which can be capitalised in relation to the Little London, Beeston Hill & Holbeck PFI scheme.
- A projected increase of £336k in the provision for bad debts arising from an increase in Former Tenant and leaseholder arrears.

These pressures will be offset by a projected net increase in rental income of £646k, after incentive payments as a result of void levels being 1.1% less than budgeted are paid to the ALMOs and projected savings of £348k 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.

In addition, Executive Board are asked to approve the release of £500k from the reserve set aside in previous years for the Lifetime Homes PFI project to alleviate the in year revenue pressure due to the project being unable to proceed.

Any deficit at year end will have to be funded from HRA reserves.

Reporting Period December 2010

Directorate Resources

Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period			Half year (Under)/Over Spend	
			Staffing	Other Expenditure	Income		Total (Under) Overspend
			£000	£000	£000	£000	
G	Financial Management	Chief Officer Financial Management	(150)	33	(25)	(142)	(71)
G	Business Support Centre	Chief Officer Financial Management	(185)	119	(139)	(204)	(105)
G	Financial Development	Chief Officer Financial Development	(88)	28	(76)	(135)	(122)
R	Cost of Collection	Chief Revenues and Benefits Officer	0		198	198	178
R	Revenue Services	Chief Revenues and Benefits Officer	65	145	(23)	187	121
G	Benefits Service	Chief Revenues and Benefits Officer	(273)	4	19	(249)	(236)
G	Student Support	Chief Revenues and Benefits Officer	(113)	(8)	0	(120)	(126)
G	Housing Benefit	Chief Revenues and Benefits Officer	0		(105)	(105)	(222)
G	Information Technology	Chief ICT Officer	(896)	594	270	(31)	(8)
G	Human Resources	Chief Officer HR	(434)	246	58	(130)	(113)
G	Audit & Risk	Chief Officer Audit and Risk	(361)	11	87	(263)	(325)
R	Support Services and Directorate	Chief Officer Resources and Strategy	72	13	0	85	103
R	Public Private Partnership Unit	Chief Officer PPPU	(282)	(50)	441	109	(34)
G	Corporate Property Management	Chief Officer CPM	(319)	262	76	19	(227)
G	Commercial Services	Chief Officer Commercial Services	(332)	99	215	(18)	(18)
A	Commercial Services Trading	Chief Officer Commercial Services	608	7	(566)	48	(222)
G	Total		(2,686)	1,504	431	(751)	(1,427)

Reporting Period December 2010

Directorate	Service	Chief Officer	(Under) / Over Spend for the current period				Half year (Under)/Over Spend £000
			Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000	
G	Legal, Licensing and Registration	Chief Legal Services Officer	(272)	450	(354)	(176)	(204)
G	Democratic Services	Chief Democratic Services Officer	(1)	(28)	7	(21)	6
R	Procurement	Chief Procurement Officer	374	317	(597)	93	7
G	Total		101	739	(944)	(104)	(191)

Reporting Period December 2010

Directorate Planning, Policy and Improvement

Traffic Light	Service	Chief Officer	(Under) / Over Spend for the current period				Half year (Under)/Over Spend £000
			Staffing £000	Other Expenditure £000	Income £000	Total (Under) Overspend £000	
G	Executive Support	Assistant Chief Executive	0	0	0	0	0
A	Customer Services	Chief Officer Customer Services	80	547	(600)	27	27
G	Leads Initiative & Partnerships	Chief Officer LIP	191	58	(259)	(10)	(30)
G	Business Transformation	Chief Officer Business Transformation	(119)	153	(34)	0	0
G	PPI Management & Support	Assistant Chief Executive	(39)	(166)	73	(132)	(112)
G	Total		113	593	(821)	(115)	(115)

CENTRAL AND CORPORATE FUNCTIONS: 2010/11 BUDGET – MONTH 9

1.0 Introduction

This report sets out the financial position for Central and Corporate Functions for period 9 of 2010/11.

2.0 Overall Summary

The year end projections which shows an overall underspend of £969k.

3.0 Explanation of the projected underspend

3.1 Resources (£750k underspend)

Compared to the half year the projected underspend has reduced from £1,428k to £750k. The main cause is a pressure of £240k in relation to delays in achieving assumed savings from the vacation of Eastgate, pressures within Security Services as well as increased spend on community meals of £200k, and the “loss” of vehicle replacement income due to the decision to prolong vehicle lives £200k.

The main contributor to the overall forecast underspend is savings on staffing budgets amounting to £2.6m. This reflects the tight control on release of vacancies that has been in place since mid 2009/10.

Following on from last year’s (year end) review of bad debt provision in respect of housing benefit overpayments, a saving of £200k is forecast in 2010/11. However a reduction in the forecast level of overpayments causes a pressure of £143k.

Corporate ICT are currently projecting pay savings of £866k, however the time recording system indicates that there will be a shortfall in the level of capitalisation of time spent on ICT developments due to the lower staffing levels. A pressure of £300k has been included in the month 9 projections.

As reported at the half year, a shortfall in the budgeted savings from the conversion of Direct Exchange Lines to the Council’s network of £348k is still predicted.

The number of summons for non-payment of Council Tax and NNDR has fallen in comparison to last year and the assumptions made in the budget. The projected full year impact is £150k. However, the reduction is partly due to ‘improved targeting’ meaning that a higher percentage of debt is collected prior to the instigation of formal recovery action.

The outcome of a National Non Domestic Rates (NNDR) revaluation of the Leonardo Building has resulted in a windfall of £133k in the current year.

Commercial Services and Corporate Property Management have identified savings totaling £750k that will be passed through to internal clients. Also, Public Private Partnership Unit (PPPU) charges to clients are projected to be £584k less than the Original Estimate. Please note that an element of the overall pay savings of £2.6m are passed directly through to clients in the form of reduced charges.

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.

3.2 Planning, Policy and Improvement (£115k underspend)

As per the half year, an overall underspend of £115k is still projected. The savings plan to achieve this assumes:

- 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)

3.3 Corporate Governance (£104k underspend)

Democratic Services are predicted to come in on-line with budget.

The Procurement Unit now consider that certain areas of budgeted income, in particular 'rebates' from Lyreco, are unlikely now to materialize at the levels predicted, making the position £86k worse than the half year.

Legal, Licensing and Registration are projecting an underspend of £146k which represents the in-year savings action plan offset by the Government's direction to cease the charge for 'personal' property searches. The impact of this change, implemented on 18.8.10, as well as the scrapping of the HIP's packs and also the general dip in the housing market has resulted in a £128k pressure in the Local Land Charges budget (this is contained within the overall underspend shown above).