



Report of the Director of Corporate Services

Executive Board

Date: 9th February 2007

Subject: General Fund Financial Health Monitoring 2006/07 – Month 9 update report

Electoral wards affected:

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 nine months of the financial year, in respect of the revenue budget for general fund services. A separate report on the Housing Revenue Account position can be found elsewhere on this agenda.
2. The report identifies that a number of council services are continuing to face financial pressures in 2006/07. However, additional funding sources have been identified to mitigate against these pressures, and after funding areas of immediate concern, an increase in reserves carried forward to 2007/08 of £5m is projected.
3. It is proposed that £4.4m of this increase in reserves will be used to support the 2007/08 revenue budget as detailed in the separate revenue budget and council tax report.
4. Members are asked to note the projected financial position of the Authority after nine months of the financial year, and agree the virement proposals detailed in the report.

1. PURPOSE OF REPORT

- 1.1 This report sets out for the Board the Council's financial health position for 2006/07 after nine months of the financial year. The report covers general fund revenue expenditure and income to date compared to the approved budget, the projected year end position and proposed actions to ensure a balanced budget by the year end. The report also highlights the position regarding other key financial indicators, including Council Tax collection and the payment of creditors.
- 1.2 A separate report on the Housing Revenue Account position can be found elsewhere on this agenda.

2. BACKGROUND INFORMATION

- 2.1 Members will recall that the net budget for the general fund was set at £486.5m, which provided for a contribution of £0.3m to reserves. As a result, the level of general fund reserves at 31st March 2007 were estimated to be £12.3m.
- 2.2. As reported in the 2005/06 outturn report to Board in June 2006, spending for 2005/06 was £1.4m in excess of approved estimates. The effect of this was that reserves at 31st March 2006 stood at £10.6m, which was lower than the £12.0m forecast assumed in the Council's approved reserves policy. However, as reported, significant capital finance savings in 2006/07 had been identified, and it was agreed by Executive Board that reserves should immediately be replenished, with the balance allocated to the Council's contingency to provide some level of resource to deal with any recurring spending pressures.
- 2.3 Budget Monitoring is a continuous process throughout the year, and this report summarises the position of the budget after nine months.

3. MAIN ISSUES

- 3.1 The budget pressures experienced by the Social Services Department as reported at the half-year stage have continued. Although a substantial service improvement and realignment programme is underway across the Department, there has been some slippage in achieving the budgeted savings. In addition and as previously reported, demand and demographic pressures have impacted on expenditure levels and on the Department's ability to fully achieve its action plan to address in-year budget pressures. A reduction in Supporting People income in respect of efficiency savings required has also impacted on the financial position.
- 3.2 Demand and demographic pressures have particularly affected children's placements and care packages for people with learning disabilities. Increasingly complex needs are affecting both these services, with growing service user numbers also impacting particularly on the learning disability service.
- 3.3 The service transformation programme is projecting to deliver £13m of its £20m target savings by the year-end, but in some areas progress has been slower than anticipated when the 2006/07 Budget was set. Savings have been delivered elsewhere within the relevant budget heads to mitigate the impact, but some pressures remain within the staffing, meals service and transport budgets. Over the final quarter increased management capacity will be in place in the Department, which will be focused particularly on driving forward actions to deliver further savings.

- 3.4 The trading position at Roseville Enterprises reflects the level of door and window work expected to be secured during 2006/07. Projected income is now lower than forecast earlier in the year and the year-end deficit is currently forecast at £1.2m.
- 3.5 As previously reported, a shortfall in license fee income from Houses in Multiple Occupancy (HMO) is projected at £2.6m. These licenses relate to a five year period and covers the cost of the inspection and enforcement team. Staffing requirements over the period will be reviewed and amended to reflect the income derived from the actual numbers of licenses issued.
- 3.6 All other departmental variations are currently projecting a £1.3m underspend. This includes a £2.4m contribution from schools for their element of equal pay claims. The funding of the Council's equal pay claims has been a complex process and in 2005/06 involved capitalisation following a special directive from the DCLG. The second payment in respect of equal pay claims was made in December 2006, and there is now more certainty regarding the overall funding arrangements, including the finalisation of the contribution from schools. A further direction has been sought from the DCLG in respect of the second phase, but the outcome will not be known until the 31st January 2007. All other departmental variations are currently projected at £1.1m and they have been requested to put in place action plans aimed at delivering a balanced position at the year end. This will be closely monitored over the remaining part of the year.
- 3.7 However, there are a number of areas where it has been possible to identify additional resources over and over those originally forecast. A strong upward trend in rateable values has resulted in a reassessment of the likely income generated from the Local Authority Business Growth Incentive scheme, and an additional £8.3m is now forecast. Additional interest on revenue balances, due to a slower spend on capital schemes is projected at £0.9m. The final settlement relating to the Yorkshire Enterprise company (YEL) has now been agreed at £0.3m. Further debt rescheduling opportunities have resulted in a projected saving on capital financing of £6.7m for the year. This is an increase of £3.2m from the reported position at the half year.

Summary Position

Total General Fund Projected Variations	£m
Social Services	5.5
Roseville	1.2
HMO Licensing	2.6
Other	(1.3)
 Actions agreed at Executive Board 20th September 2006	 3.2
 Additional resources:-	
Debt rescheduling	(6.7)
Interest savings /cashflow	(0.9)
LABGI additional income	(8.3)
YEL	(0.3)
 Increase in reserves carried forward	 (5.0)

4. PROPOSALS

- 4.1 It is proposed that additional funding is allocated to those areas of immediate concern i.e Roseville £1.2m and HMOs licensing £2.6m. All other services are requested to continue to implement their action plans to work towards achieving a balanced budget.
- 4.2 It is also proposed to transfer the projected surplus to reserves to support the 2007/08 revenue budget as detailed in the separate revenue budget and council tax report elsewhere on this agenda.

5. COLLECTION OF LOCAL TAXATION

- 5.1 The level of Council Tax collected at the end of December 2006 is 83.9% of the debit for the year of £214m, and the performance target of 96.60% is expected to be achieved.
- 5.2 The collection of non-domestic rates for the first nine months 88.4% of the current net debit of £277.1m, which is 0.7% ahead of the same period last year. Again, the performance target of 98.6% is expected to be achieved at the year end.

6. PROMPT PAYMENT OF INVOICES

- 6.1 A local target of 92% for paying all undisputed invoices within 30 days of receipt of agreed terms was set for the year. The first half year performance of 91% is slightly behind the target although work is ongoing to improve performance through the continued development of electronic ordering and invoicing of goods, and expanding the use of purchasing cards.

7. RECOMMENDATION

- 7.1 Members of the Executive Board are asked to:
- note the projected financial position of the Authority
 - recommend to Council the budget adjustments described within paragraph 4.1
 - approve the transfer of the projected surplus to general reserves.