

**Report of the Director of Resources**

**Report to Executive Board**

**Date: 7<sup>th</sup> September 2011**

**Subject: Financial Health Monitoring 2011/12 - Month 4**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The purpose of this report is to inform members of the financial health of the authority after four months of the financial year 2011/12 in respect of the revenue budget and the housing revenue account.
2. The first quarter financial health report<sup>1</sup> indicated that the projected overall overspend was £8.2m. However it was noted that within Children's Services there were indications that the position was likely to deteriorate further as the year proceeded.
3. Significant budget savings are being achieved across all areas of the Council with in excess of £80m of reductions being delivered, nevertheless there is a projected overspend for the year of £9.6m.
4. Directorates will continue to develop and implement action plans, and the position will be monitored closely.

**Recommendations**

5. Members are asked to note the projected financial position of the authority after four months of the financial year 2011/12.
6. Members are also requested to approve the budget adjustments as detailed in the report.

## **1. Purpose of this report**

- 1.1 This report sets out for the Board the Council's projected financial health position for 2011/12 after four months of the financial year.
- 1.2 Budget Monitoring is a continuous process throughout the year, and this report reviews the position of the budget after four months and comments on the key issues impacting on the overall achievement of the budget for the current year.

## **2. Background information**

- 2.1 Members will recall that the net budget<sup>2</sup> for the general fund was set at £582.2m, supported by the use of £2m of general fund reserves, and the level of general fund reserves at 31<sup>st</sup> March 2012 was estimated to be £19.4m.
- 2.2. Following the closure of the 2010/11 accounts, the reserves position has been largely achieved with reserves standing at £21.2m at 31<sup>st</sup> March 2011. After taking account of the £2m budgeted use of reserves in 2011/12, this would leave reserves at 31<sup>st</sup> March 2012 at £19.2m.
- 2.3 The 2011/12 budget represented a major financial challenge for the Council, and the loss of Government Grant plus pressures on spending resulted in the Council needing to identify around £90m of savings. Within those pressures on spending the budget provided for increased expenditure on services for vulnerable children and adults, including safeguarding, whilst addressing cost and income pressures elsewhere in the Council arising from the current economic conditions.
- 2.4 Within the budget report to members it was recognised that the budget contained significant risks, and as such it would be crucial that actions are constantly reviewed, to ensure that overall budgets are delivered and reserves maintained. The Council will face a further significant financial challenge in 2012/13 and therefore the delivery of the current year's budget is essential.

## **3. Main Issues**

- 3.1 Budget monitoring to date is identifying that the authority has made significant progress on achieving savings targets, with more than £80m of the budgeted savings required on target to be achieved, however this still leaves an overspend of £9.6m currently 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 assume the continuing delivery of action plans both corporately and within directorates.

Table 1

(Under) / Over Spend for the current period													Qtr 1 (Under) / Overspend £000
Directorate	Director	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	Internal Charges £000	Payments to External Bodies £000	Transfer Payments £000	Use of reserves £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	
Adult Social Care	Sandie Keene	12	200	(543)	(39)	173	3,119	(82)	0	2,840	(42)	2,798	2,348
Children's Services	Nigel Richardson	(1,568)	54	(23)	24	26	7,942	(273)	0	6,155	1,607	7,762	5,121
City Development	Martin Farrington	454	(124)	(122)	(238)	148	0	(67)	0	58	1,178	1,236	583
Environment & Neighbourhoods	Neil Evans	1,220	(85)	(318)	(3)	57	0	(1,000)	0	(186)	618	432	79
Resources	Alan Gay	269	(11)	261	364	82	0	0	(158)	808	(763)	45	(41)
Legal Services	Robert Pritchard	674	2	25	0	(600)	0	0	0	101	(177)	(76)	117
Planning, Policy and Improvement	James Rogers	2	(1)	(5)	16	2	0	0	0	15	(9)	6	(1)
<b>Total</b>		<b>1,062</b>	<b>36</b>	<b>(725)</b>	<b>124</b>	<b>(112)</b>	<b>11,062</b>	<b>(1,422)</b>	<b>(158)</b>	<b>9,791</b>	<b>2,412</b>	<b>12,203</b>	<b>8,205</b>
<b>Corporate issues</b>													
Capital Financing												-2600	
<b>Total</b>												<b>9,603</b>	

3.3 Full details of directorate variations are attached as Appendix 1. The main variations can be analysed as follows:

- Staffing – The 2011/12 budget assumes a reduction in staffing costs compared to 2010/11 of £45m. This is largely being achieved through a combination of a tight recruitment policy and the Early Leavers Initiative which was launched during 2010; these measures together resulted in more than 1,400 staff voluntarily leaving the Council by 31<sup>st</sup> March 2011. There are also further staffing savings to be achieved during 2011/12 which assumes a continued reduction in staffing levels. The payroll strength of the Council was budgeted to reduce further in 2011/12 by 400, and a further round of the Early Leavers Initiative has now been launched. However there is a small overspend on staffing budgets of £1.1m projected to the year end.
- Adult Social Care – although there is a lower level of demand in residential and nursing care, there is a projected shortfall in the delivery of budgeted procurement savings on residential accommodation. The current forecast is an overall overspend of £2.5m on the placements budget. A projected overspend of £0.7m on the learning disability pooled budget has now been included, which reflects the number of clients and the costs of their care packages being higher overall than budgeted. This potential budget pressure was identified in the previous report as a risk. The directorate is now forecasting an overall overspend of £2.8m.
- Children's Services – The appendix to this report at page 11 explains that the 2011/12 budget for Independent Fostering Agencies and Residential Placements was increased by £8m, reflecting the steep growth in these costs in recent years. However despite this, and plans put in place to reduce this growth, these budgets continue to be under significant pressure, and as a result there is an increase in the projected overspend of £2.6m from the 1<sup>st</sup> quarter position, and the directorate is now forecasting an overall overspend of £7.8m.
- Income – Some areas of income continue to fall short of budgeted levels; in particular in relation to planning and building regulation fees which to date have not grown from their 2010/11 levels. There are also shortfalls in income from car parking, advertising and Children's Centres.

- Capital Financing costs are projected to be £2.6m less than provided for in the budget. At the time the budget was set, economic forecasters predicted that short term interest rates would begin to rise in 2011/12; accordingly the budget was set on the premise that the Council could no longer rely on a continuation of its policy to borrow short term for a significant proportion of the debt portfolio, and it was assumed that some longer term, higher interest rate borrowing would be taken up in order to protect the Council from the financial risk of rising interest rates. In the event economic predictions are now that short term rates will continue to remain low well into next year and therefore the policy to borrow short term has been maintained, with resulting savings on the revenue budget.

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

- 3.4.1 At the end of Period 4 the HRA is projecting a surplus of £305k and this is a movement of £946k when compared to the last reported position. This improvement is primarily due to anticipated additional rental from dwellings and miscellaneous properties. This additional income is as result of void levels being 1.1% lower than budgeted and should this continue, additional void incentive payments will be paid over to the ALMOs.

Other income variations of £65k reflect a lower take up of Heat Lease (£171k) and slippage in the implementation of the solar panel scheme (£100k) being offset by projected increased telecoms income (£206k).

Projected net savings of £167k on salaries and wages are offset by the cost of staff being seconded to work on the implementation of the ALMO Business Centre Leeds (ABCL). Other expenditure variations of £581k are primarily due to refurbishment costs associated with establishment of the ALMO Business Centre (£100k), increased charges of £130k and £147k respectively from Internal Audit for work in relation to ALMO assurance and PPPU for additional work in respect of the Little London and Beeston Hill and Holbeck PFI project. In addition £200k is required to contribute towards the Housing Capital Programme.

- 3.4.2 The Affordable Housing Programme Executive Board report of 13<sup>th</sup> February 2009 approved spend of £3.784m on a programme of demolition and site clearance works. This included the use of £800k earmarked HRA reserves. The release of this reserve is now required in order to complete the remaining acquisition and demolition on Phase 1 of the Beckhills clearance scheme

### **3.5 Budget Adjustments requiring approval by Executive Board**

- 3.5.1 Within Adult Social care, there is some slippage in achieving the budgeted savings within the older people's residential service and so budget provision of £1.25m to purchase alternative independent sector placements is now not expected to be required in 2011/12. Approval is therefore sought to transfer provision of £1.25m from the independent sector residential and nursing care budget (Chief Officer Access & Inclusion) to the staffing budget (Chief Officer Older People & Learning Disability).
- 3.5.2 City Development has been awarded £1.84m pot hole grant and approval is sought to increase highway maintenance spend by this amount.

#### 4. Corporate Considerations

##### 4.1 Consultation and Engagement

4.1.1 This is a factual report and is not subject to consultation

##### 4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The Council's revenue budget for 2011/12 was subject to Equality Impact Assessments where appropriate and these can be seen in the papers to Council on 23<sup>rd</sup> February 2011.

##### 4.3 Council Policies and City Priorities

4.3.1 The 2011/12 budget targeted resources towards the Council's policies and priorities. This report comments on the financial performance against this budget.

##### 4.4 Resources and Value for Money

4.4.1 This is a revenue financial report and as such all financial implications are detailed in the main body of the report.

##### 4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no legal implications arising from this report. In accordance with part 4 (f) of the Council's Constitution (Budget and Policy Framework Procedure Rules) Executive Board shall be entitled to vire across budget headings subject to value limits set out in the Financial Procedure Rules. This report requests budget adjustments as detailed in paragraphs 3.4.2, 3.5.1 and 3.5.2. which are in accordance with these limits<sup>3</sup>.

##### 4.6 Risk Management

4.6.1 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.

The register<sup>4</sup> shows there are 3 very high risks and 10 high risks. The very high risks are as follows:-

Risk	Key Budget Impacted	Quarter 1		
		P	I	Rating
Procurement savings for residential and nursing placements.	Commissioning adult social care	3	5	Very High
The increase in the fostering budget (£3.3m) may not be sufficient to meet demand. In addition, slippage on the budgeted action plan around recruiting additional in-house carers and reducing the use of externally provided Independent Fostering Agency placements may not be achieved.	Children and Young People Social Care	3	5	Very High
The increase in the externally provided	Children and	3	5	Very High

residential placement budget £4.7m may not be sufficient to meet demand	Young People Social Care			
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4.6.2 There are no new risks or significant changes in the rating. However given the scale of budget reductions which need to be made to deliver the 2011/12 budget, there is inevitably an increased risk that the overall budget is not achieved.

## 5. Recommendations

5.1 Members of the Executive Board are asked to note the projected financial position of the authority after four months of the financial year.

5.2 Members are requested to approve the release of £800k from HRA reserves to fund the remaining acquisition and demolition costs as outlined in paragraph 3.4 above.

5.3 Members are requested to approve the budget adjustments as detailed in paragraph 3.5 above.

## 6. Background Documents

<sup>1</sup> Financial Health Monitoring 2011/12 – First quarter report to Executive Board 27<sup>th</sup> July 2011

<sup>2</sup> Revenue Budget and Council Tax 2011/12 – report to Executive Board 11<sup>th</sup> February 2011

<sup>3</sup> Financial Procedure Rules Maximum Delegated Limits for Revenue Virement.

<sup>4</sup> Financial Risk Register 2011/12

**Directorate      Adult Social Care**

			<b>(Under) / Over Spend for the current period</b>										<b>Qtr 1 (Under) / Overspend</b>	
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	Internal Charges £000	Payments to External Bodies £000	Transfer Payments £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	£000	
<b>G</b>	Partnership & Organisational Development	Deputy Director Partnership & Organisational Effectiveness	24	0	(215)	2	0	35	0	(153)	102	(51)	26	
<b>R</b>	Access & Inclusion	Chief Officer Access and Inclusion	8	(9)	(305)	(52)	35	(3,314)	(82)	(3,719)	(184)	(3,903)	2,396	
<b>G</b>	Strategic Commissioning	Deputy Director Strategic Commissioning	58	0	0	0	15	5,715	0	5,788	(96)	5,692	(121)	
<b>G</b>	Resources	Chief Officer Resources & Strategy	(158)	0	(80)	0	0	0	0	(238)	15	(223)	(430)	
<b>R</b>	Learning Disabilities Service	Chief Officer Learning Disabilities	79	210	56	12	123	683	0	1,162	121	1,283	476	
<b>R</b>	<b>Total</b>		<b>12</b>	<b>200</b>	<b>(543)</b>	<b>(39)</b>	<b>173</b>	<b>3,119</b>	<b>(82)</b>	<b>2,840</b>	<b>(42)</b>	<b>2,798</b>	<b>2,348</b>	

# ADULT SOCIAL CARE DIRECTORATE: 2011/12 BUDGET – PERIOD 4 REPORT

## 1.0 Introduction

This report sets out the financial position for the Adult Social Care directorate for Period 4.

The 2011/12 budget included additional resources for Adult Social Care in recognition of the level of demand experienced in 2010/11. £19m was added to the community care packages budgets, but in order to fund this within the context of the Council's very challenging financial settlement substantial net savings amounting to £18.4m had to be identified.

## 2.0 Overall Summary

The Period 4 position for the Adult Social Care Directorate is a projected overspend of £2.8m compared with the Net Managed Budget of £178m. This takes account of the projected delivery of £10.7m of budgeted savings and those contingency savings identified to date. The main shortfall in the delivery of budgeted savings relates to procurement savings and had these been on target the directorate would be projecting an overall underspend for 2011/12.

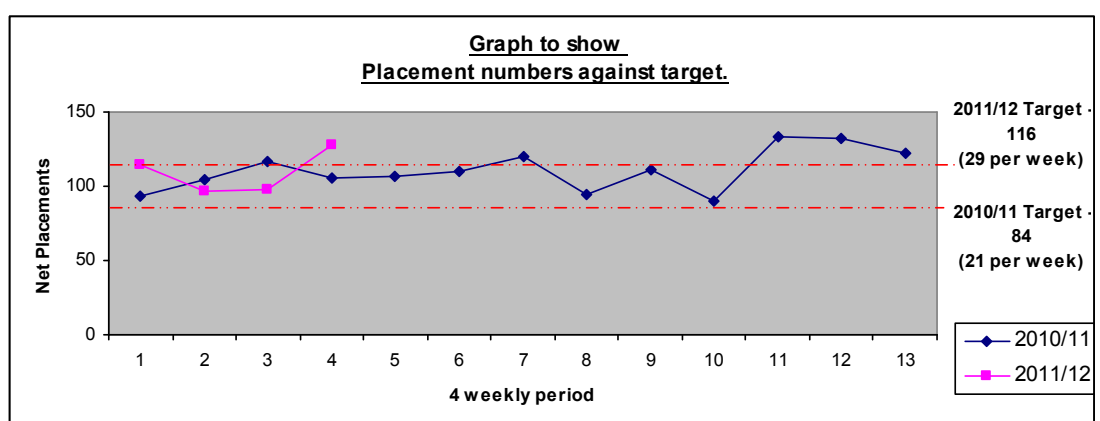
## 3.0 Explanation of the Projected Overspend

The main variations are explained below:

- **Community Care Packages - £3.1m**

- Residential and Nursing Care Placements - £2.5m

Placement numbers for the first quarter averaged three per week (10%) less than the budgeted numbers. Although placement numbers in Period 4 were higher, overall placements to date this year remain below the budgeted target. This, together with the full-year effect of 2010/11 placements, is reflected in spend being less than budgeted in respect of placement numbers. There is some volatility around placement numbers as several key drivers are outside the direct control of Adult Social Care and relatively small variations in numbers equate to a significant cash variation over a full year. For example, there is some risk that placement numbers may increase due to the impact of the Leeds Teaching Hospitals Trust's decision to close 200 acute beds.





The 2011/12 budget also included significant procurement savings amounting to £5.75m that are not yet being achieved. A separate report on this agenda outlines the current position and proposed way forward.

Direct Payments & Personal Budgets – (£0.1m)

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 projected to be £0.1m lower than budgeted.

Learning Disability Pooled Budget - £0.7m

Some potential budget pressures within the learning disability pooled budget and risks with regard to the level of NHS Leeds funding have been identified previously. This budget risk has now become an issue that needed to be included within the projections and it reflects the number of clients and the costs of their care packages being higher overall than budgeted. The directorate is continuing work to address this pressure and identify other savings to offset any remaining impact.

#### **4.0 Budget adjustments requiring approval**

The variations set out above take account of the need for virements to align budgets with the latest plans to deliver budgeted savings.

There is some slippage in achieving the budgeted savings within the older people's residential service and so budget provision of £1.25m to purchase alternative independent sector placements is now not expected to be required in 2011/12. Approval is sought to transfer provision of £1.25m from the independent sector residential and nursing care budget (Chief Officer Access & Inclusion) to the staffing budget (Chief Officer Older People & Learning Disability).

**Directorate Children's Services**

			<b>(Under) / Over Spend for the current period</b>											<b>Qtr 1 (Under) / Overspend</b>	
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport	Internal Charges £000	Payments to External Bodies £000	Transfer Payments £000	Appropriations £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	£000	
<b>R</b>	Partnership Dev & Business Support	Chief Officer of Partnership Development & Business Support	73	6	94	3	0	(40)	0	0	136	(88)	47	13	
<b>G</b>	Learning, Skills & Universal Services	Deputy Director of Learning, Skills & Universal Services	(2,155)	(30)	(58)	2	(94)	498	0	0	(1,836)	1,324	(512)	0	
<b>R</b>	Safeguarding, Targeted & Specialist Services	Deputy Director of Safeguarding, Targeted & Specialist Services	476	70	(91)	19	120	7,485	(78)	(28)	7,972	122	8,094	5,119	
<b>R</b>	Strategy, Commissioning & Performance	Chief Officer of Strategy, Commissioning & Performance	39	7	32	(1)	0	0	(195)	0	(117)	250	133	(11)	
<b>R</b>	<b>Total</b>		<b>(1,568)</b>	<b>54</b>	<b>(23)</b>	<b>24</b>	<b>26</b>	<b>7,942</b>	<b>(273)</b>	<b>(28)</b>	<b>6,155</b>	<b>1,607</b>	<b>7,762</b>	<b>5,121</b>	

## CHILDREN'S SERVICES: 2011/2 BUDGET – PERIOD 4 REPORT

### 1. Overall Budget Position

1.1 At the end of July, the forecast headline budget variation is £11.4m which has been reduced by £3.6m of key budget action plans to give the £7.8m bottom-line projected overspend.

### 2. Explanation of Main Variations

2.1 The main pressure on the budget continues to be around the high number of looked after children and in particular the externally provided residential and fostering placement budgets.

2.2 The table below shows how budget and actual spend on external placements has increased over the last 4 financial years. As can be seen, whilst the budget between 2008/09 and 2010/11 increased by £2.8m, actual spend rose by £12.3m, resulting in overspends on these budgets in each of these years. For 2011/12, the budgets for these two areas were increased by £8m, which was a greater increase than in any year previously and greater than the total spend in 2008/09.

	2008/09			2009/10			2010/11			2011/12		
	Budget	Act	Over	Budget	Act	Over	Budget	Act	Over	Budget	Fore- cast	Over
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
IFA	1.36	1.89	0.53	1.56	4.68	3.12	2.08	7.08	5.00	5.35	10.76	5.41
External Residential	3.74	4.86	1.12	4.74	7.37	2.63	5.82	12.00	6.18	10.55	12.98	2.43
<b>Total</b>	<b>5.10</b>	<b>6.75</b>	<b>1.65</b>	<b>6.30</b>	<b>12.05</b>	<b>5.75</b>	<b>7.90</b>	<b>19.08</b>	<b>11.18</b>	<b>15.90</b>	<b>23.74</b>	<b>7.84</b>

2.3 The 2011/12 budget for externally provided placements was calculated on the basis of informed forecasts around potential increased demand together with a plan to 'turn the curve' and reduce placement numbers/costs over the course of the 2011/12 financial year. The latter is described in the 'turning the curve' action plan which is based around delivering against several key challenges including reducing the number of looked after children through work with families and partners at a local level to intervene early and prevent the need for escalation to social care services and also to have a stronger focus on multi-agency working to de-escalate cases where risks have been diminished. In addition, work is ongoing around reducing placement costs through negotiation and contract management with external providers, by increasing capacity within in-house looked after children services and through improved cost sharing with partners. At this stage of the financial year, the number of referrals to Children's Social Care remains high and demand for external placements continues to grow.

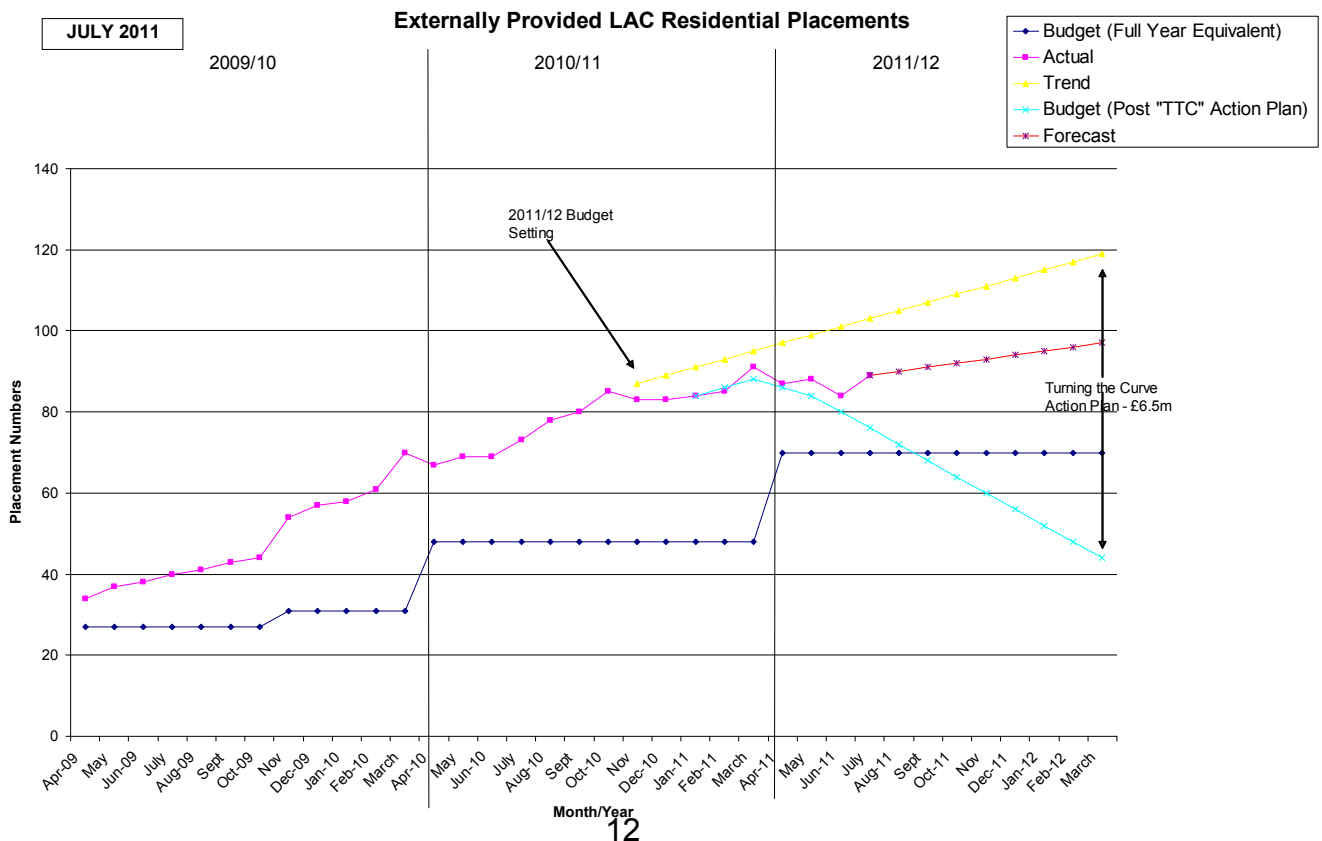
2.4 The table below provides a summary of the period 4 position on the externally provided fostering and residential budgets together with the movement from period 3.

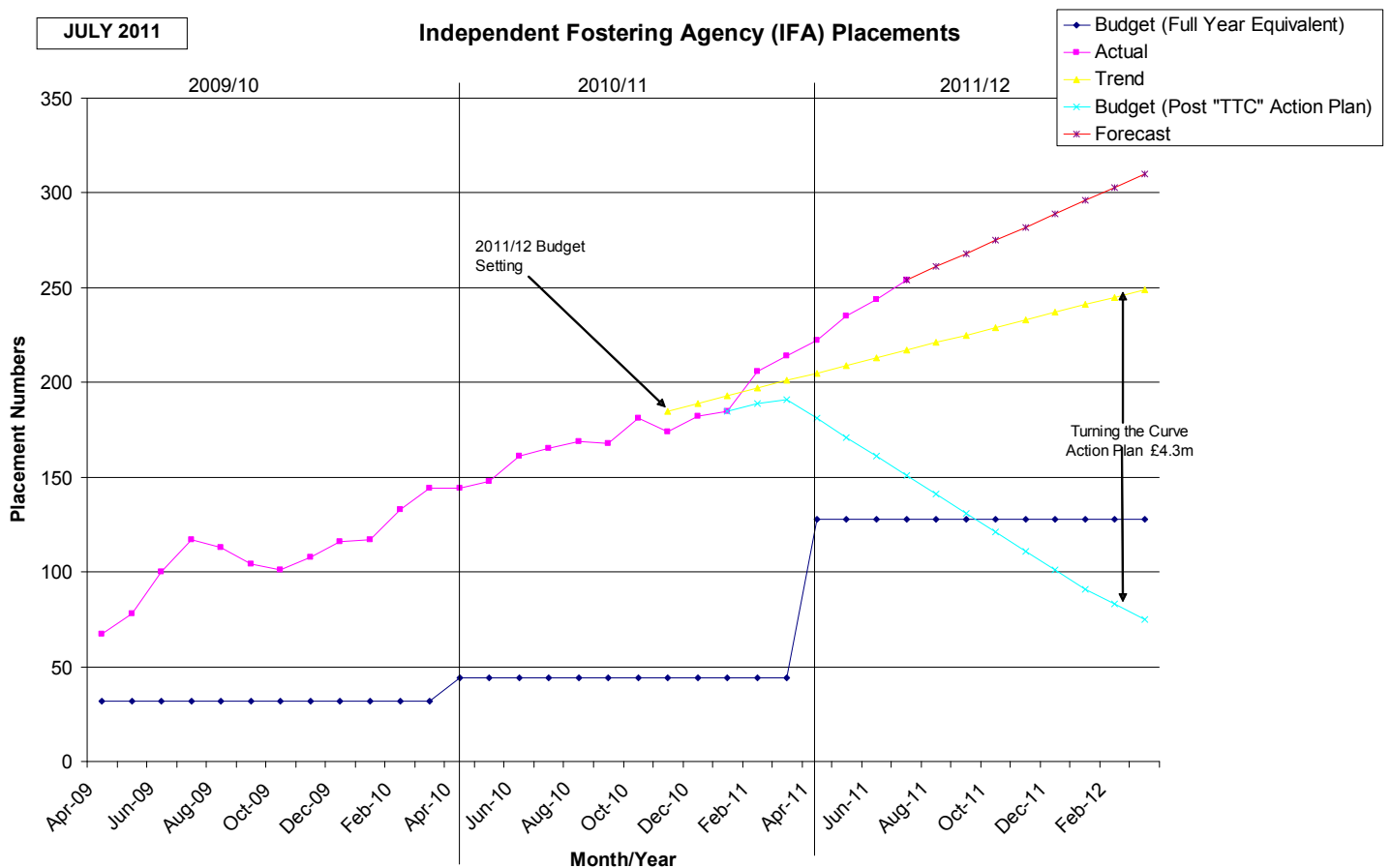
**Children's Services - 2011/12 Financial Year  
Externally Provided Placements - Summary**

		Latest Budget	Forecast Outturn (P3)	Forecast Variation (P3)	Forecast Outturn (P4)	Forecast Variation (P4)	Movement from P3 Adv/(fav)
		£m	£m	£m	£	£	£m
1) <b>General Residential Placements</b>	Gross Cost	10.55	13.55	3.00	13.33	2.78	(0.22)
	Less: Budget Action Plan	0.00	(2.00)	(2.00)	(0.35)	(0.35)	1.65
	Income from Health	(0.60)	(0.58)	0.02	(0.59)	0.01	(0.01)
	Income from Education	(0.30)	(0.38)	(0.08)	(0.48)	(0.18)	(0.10)
	<b>Total</b>	<b>9.65</b>	<b>10.59</b>	<b>0.94</b>	<b>11.91</b>	<b>2.26</b>	<b>1.32</b>
2) <b>Other Residential Placements</b>	<b>Gross Cost</b>	<b>1.77</b>	<b>1.77</b>	<b>0.00</b>	<b>1.77</b>	<b>0.00</b>	<b>0.00</b>
3) <b>Independent Sector Fostering Agencies</b>	Gross Cost	5.35	10.85	5.50	10.91	5.56	0.06
	Less: Budget Savings Plan	0.00	(1.50)	(1.50)	(0.15)	(0.15)	1.35
	<b>Total</b>	<b>5.35</b>	<b>9.35</b>	<b>4.00</b>	<b>10.76</b>	<b>5.41</b>	<b>1.41</b>
4) <b>Grand Total</b>	Gross Cost	17.67	26.17	8.50	26.01	8.34	(0.16)
	Budget Savings Plan	0.00	(3.50)	(3.50)	(0.50)	(0.50)	3.00
	Income from Health	(0.60)	(0.58)	0.02	(0.59)	0.01	(0.01)
	Income from Education	(0.30)	(0.38)	(0.08)	(0.48)	(0.18)	(0.10)
	<b>Total</b>	<b>16.77</b>	<b>21.71</b>	<b>4.94</b>	<b>24.44</b>	<b>7.67</b>	<b>2.73</b>

2.5 At the end of July 2011 there were 89 children in externally provided residential placements, 13 placements higher than the number of placements profiled within the original budget action plan. The forecast outturn pressure related to externally provided residential placements is £2.3m. Similarly the number of placements with Independent Fostering Agencies currently stands at 254, 103 placements higher than the original budget action plan, giving rise to a forecast pressure of £5.4m

2.6 The graphs below show the growth in placement numbers for both the externally provided residential & fostering placements





- 2.7 The pressures on the external placement budgets are partly offset by projected savings of £0.5m on the in-house fostering allowances & fees budgets, which reflects the changing mix of placement provision.
- 2.8 Across the Directorate's employee budgets, the overall projection at period 4 is to underspend by £1.568m. As reported at period 3, there are continuing budget pressures in Social Care fieldwork and also in the in-house residential homes. These are offset by projected underspends across the Children's Centres which are in turn offset by a forecast shortfall in Nursery Fee income. In addition, there are also £0.4m projected staffing savings at the East Moor Secure Unit as part of managing a £0.7m reduction in contract income from the Youth Justice Board.
- 2.9 As reported at period 3, the projected £1.6m shortfall against the income budgets is mainly around the £1.2m forecast shortfall against the nursery fee budget which is offset by projected savings on the employee budgets. In addition, as mentioned at para 2.8, there is a £0.7m reduction in contract funding at East Moor which is mitigated by a cost reduction action plan.

**Directorate City Development**

													(Under) / Over Spend for the current period	
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	Internal Charges £000	Transfer Payments £000	Capital £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	Qtr 1 (Under) / Overspend £000	
R	Planning and Sustainable Development	Chief Planning and Sustainable Development Officer	128	(20)	171	50	32	0	0	362	1,079	1,441	1,264	
G	Economic Development	Chief Economic Development Officer	38	1	(231)	4	9	0	0	(180)	175	(5)	(223)	
R	Asset Management	Chief Officer Asset Management	251	1	110	(24)	(296)	0	0	42	505	547	(133)	
G	Highways and Transportation	Chief Officer Highways and Transportation	31	(179)	111	(263)	273	0	7	(20)	(464)	(484)	(475)	
G	Libraries, Arts and Heritage	Chief Libraries, Arts and Heritage Officer	(513)	152	(183)	37	16	0	0	(490)	265	(225)	(50)	
R	Recreation	Chief Recreation Officer	594	(79)	230	(36)	94	(67)	0	736	(384)	352	361	
G	Resources and Strategy	Chief Officer Resources and Strategy	(74)	0	(330)	(6)	20	0	0	(391)	2	(389)	(162)	
R	<b>Total</b>		<b>454</b>	<b>(124)</b>	<b>(122)</b>	<b>(238)</b>	<b>148</b>	<b>(67)</b>	<b>7</b>	<b>58</b>	<b>1,178</b>	<b>1,236</b>	<b>584</b>	

## CITY DEVELOPMENT DIRECTORATE: 2011/12 BUDGET – PERIOD 4 REPORT

### 1.0 Introduction

This report sets out the financial position for City Development for Period 4.

### 2.0 Overall Summary

The Period 4 position for City Development Directorate shows a projected overspend of £1.24m. This compares to the Period 3 position of £0.58m. The main reason for the increase is that it is now projected that the additional target of £0.5m for advertising income will mostly not be achieved this financial year due to the lengthy lead in time in bringing forward new sites and securing the income.

The major budget pressures continue to be planning and building fee income, markets income, planning appeal costs and staffing in some service areas. The projection assumes proposed budget saving plans will be implemented to largely offset these pressures and also assumes further staff will leave the directorate under the corporate Early Leaver Initiative scheme. However, in order to achieve the year end projection further savings will need to be identified and a full review of possible savings and other actions is currently being agreed with each service area.

### 3.0 Explanation of the Projected Overspend

The main reasons for the projected overspend are an overspend on staffing of £0.45m based on current staffing numbers, known leavers and assumed further leavers from the corporate ELI scheme, additional costs of £0.45m arising from ongoing planning appeal cases and an overall shortfall in income of £1.2m. These are offset by other net savings of £0.9m.

Good progress continues to be made in implementing savings and budget actions included in the 2011/12 budget. These include a significant reduction to the staffing budget, rationalisation of Sport and Library buildings, reduction in Highways spend, energy and procurement efficiency savings, reduction to contributions to external organisations and additional income generation proposals

The continuing poor economic outlook is, however, having an impact and achieving the Directorate's £94m income target is proving to be a challenge. Based on current trends a shortfall is projected. The projected variation by Service is shown below:

<u>Projected Variation by Service:</u>	£000s
Planning and Sustainable Development	1,440
Economic Development	(4)
Asset Management	547
Highways and Transportation	(484)
Libraries, Arts and Heritage	(226)
Recreation Services	352
Resources and Strategy	<u>(389)</u>
	1,236

The main projected variations are shown below and clearly show that the main budget issue is the projected shortfall in income in a number of areas.

Major Projected Budget Variations:

	£000s
Staffing	454
Building Fees shortfall	371
Planning Fees shortfall	616
Planning appeal costs (net of £200k provision)	450
Energy costs (mainly highways)	300
Advertising income shortfall	450
Markets income	330
ADS/Client services income shortfall	300
	3,271
<u>Offset by:</u>	
Supplies and Services savings	(572)
Transport savings	(238)
Premises savings	(423)
Other net variations (mainly additional income)	(802)
<b>Total</b>	<b>1,236</b>

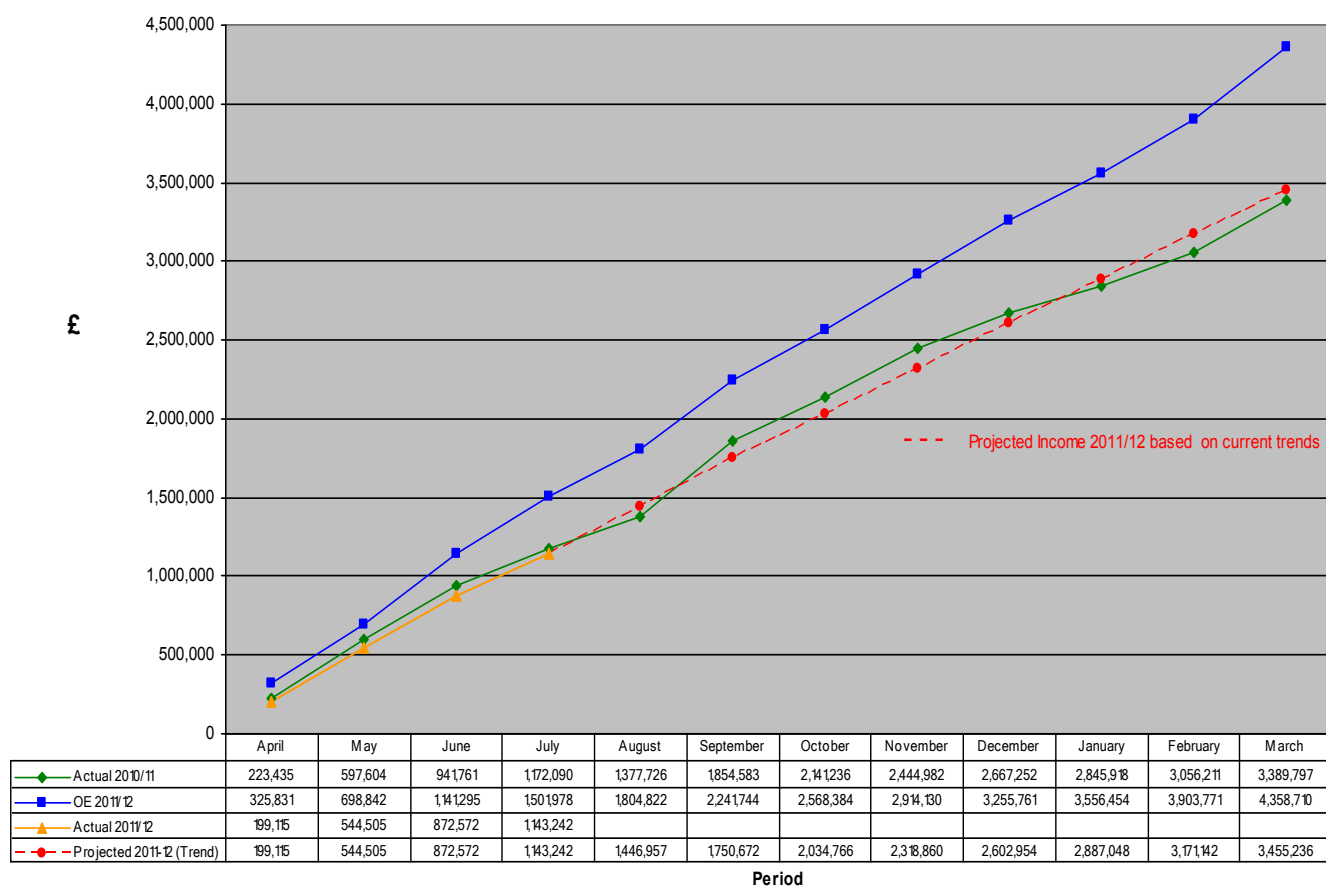
**Income**

The projected outturn at Period 4 for income includes the additional grant of £1.84m for pot hole repairs for which a virement is required to inject the additional expenditure and income.

All income targets were reviewed as part of the 2011/12 budget process but in some cases income levels are falling short of the revised targets. The most significant shortfalls are projected to be on Planning and Building fees. At period 4 the combined shortfall is £318k, the projected shortfall for the year is forecast to be just under £1m. The graph over the page shows the position to date for planning and building fee income. The budget assumed that there will be an increase in the amount collected in 2011/12 over that in 2010/11 but so far the signs are that this will not be the case and the service has yet to experience an increase in major planning applications which is where the majority of the fee income is from.



## Planning and Building Fee Income (Cumulative)



On the whole, income in Sport is expected to be in line with budgets and Bodyline income is holding up well.

Other income variations include a shortfall in Markets income of £330k which is a reflection of reduced occupancy levels at Kirkgate Market and a £300k shortfall in Architectural Design Services and Client Services income reflecting lower workloads than assumed in the budget. The 2011/12 budget included additional income of £500k to be raised from new advertising opportunities in the City. A number of new sites have been identified and proposals are being developed with 9 new sites currently being progressed but due to highways, planning and other issues it is currently assumed that the majority of this income will not be received in 2011/12.

There are a number of other income risk areas that are currently projected to achieve the budget. These include income from charging for events such as for Opera in the Park and Classical Fantasia and whilst there maybe a shortfall against original budget assumptions for these, additional commercial events have been introduced this year and overall it is expected that income assumptions will be met.

## **Staffing**

The 2011/12 budget includes challenging saving targets for staffing. Staffing levels in the Directorate reduced by 229 Full Time Equivalents (FTEs) in 2010/11 and the 2011/12 budget assumes a further reduction of 67 FTEs from the position as at 1<sup>st</sup> April 2011. It is envisaged that this reduction will be achieved through a combination of managing vacancies, new Early Leaver Initiative business cases and restructures in some services. Whilst a significant proportion of the staffing savings have been achieved, mainly through the ELI exercise in 2010/11, further actions are still required to deliver the full savings. Currently it is projected that staffing will overspend the budget by £0.45m, mainly because the saving assumed in the budget on weekend enhancements in Sport are now unlikely to be made. The staffing projection assumes that additional staff will leave through the ELI. To date there have been 139 expressions of interest in the scheme and Human Resources staff are working closely with service managers to prioritise progressing business cases for staff who wish to leave before the 31<sup>st</sup> December and therefore maximize the saving in 2011/12.

Control measures to actively manage staffing continue to be exercised in the directorate.

## **Operational Budgets**

As shown above, savings are anticipated on operational budgets.

### **Premises Costs**

The current premises expenditure projection includes additional Highways spend of £1.8m as a result of the 'Pot Hole' Grant awarded after the 2011/12 budget had been finalised. A virement will be submitted to increase the budget. Allowing for this, there is a projected underspend of £423k on premises costs, excluding the £300k overspend on energy costs. A pressure of £250k is anticipated in Highways and Transportation as a result of a larger increase in the Street Lighting energy contract than was anticipated in the budget. There is also a risk that the energy savings assumed in the budget are not achieved. The majority of savings anticipated from the rationalisation of Sport and Library facilities will be achieved.

### **Supplies and Services**

Savings in supplies and services are now expected to be delivered in most services to help offset other budget pressures. The cost of planning appeals was a major budget pressure in 2010/11 and will continue to be an issue in 2011/12 as costs for some cases have still to be finalised and charged; the outcome of other cases is still unknown. A provision of £200k was made in the 2010/11 accounts where the outcome and amount was known but it is projected that there could be additional costs of £450k over and above the budget provision. All services are committed to reviewing spend on supplies and services spend to identify additional savings.

## Transport

Savings of £238k are anticipated across the Directorate, with these mainly in Highways and Transportation from reduced spend on plant and fuel.

### **4.0 Other Issues**

Options for further savings and opportunities for generating additional income are currently being discussed and assessed in the directorate. There is a risk that budget actions currently assumed to be achieved will be delayed or will realise a lower level of saving. There is also a risk that income shortfalls and workloads worsen depending on the future economic position.

**Directorate Environment & Neighbourhoods**

													(Under) / Over Spend for the current period	
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	Internal Charges £000	Transfer Payments £000	Capital £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	Qtr 1 (Under) / Overspend £000	
R	Street Scene Environmental Services	Chief Environmental Services Officer	512	0	1	(89)	0	0	(57)	367	0	367	438	
R	Health and Environmental Action	Chief Environmental Services Officer	204	18	(38)	19	3	0	0	206	62	268	(61)	
R	Car Parking Services	Chief Environmental Services Officer	(191)	0	(3)	(2)	4	0	0	(192)	420	227	(79)	
R	Community Safety	Chief Community Safety Officer	182	0	104	18	0	0	0	304	(22)	282	0	
R	Regeneration Management	Chief Regeneration Officer	(9)	0	123	2	2	0	0	118	27	145	116	
R	Employment Skills	Chief Regeneration Officer	152	(0)	57	0	0	0	0	210	(1)	209	0	
G	Strategy and Commissioning	Chief Regeneration Officer	(0)	(104)	(135)	1	(0)	(1,000)	0	(1,239)	(0)	(1,239)	0	
R	Statutory Housing	Director of Environment and Neighbourhoods	173	0	(9)	52	(24)	0	0	192	40	232	(525)	
G	General Fund Support Services	Chief Officer Resources and Strategy	0	0	(13)	0	0	0	0	(13)	0	(13)	0	
G	Waste Management	Chief Environmental Services	196	0	(403)	(3)	72	0	0	(138)	92	(46)	189	
R	<b>Total</b>		<b>1,220</b>	<b>(85)</b>	<b>(318)</b>	<b>(3)</b>	<b>57</b>	<b>(1,000)</b>	<b>(57)</b>	<b>(186)</b>	<b>618</b>	<b>432</b>	<b>79</b>	

## ENVIRONMENT & NEIGHBOURHOODS: 2011/12 BUDGET PERIOD 4 REPORT

### 1.0 Overall Summary

The projected position for Environment and Neighbourhoods Directorate is an overspend of £0.4m.

### 2.0 Explanation of the Projected Overspend

#### Staffing +£1,220k

The cost of staff in managing workforce change following the implementation of restructures is £957k and slippage in the implementation of a number of restructures within the Directorate will result in a variation of £350k.

A further (£350k) of ELIs above the budgeted assumption will be targeted to help offset the Directorate's staffing budget pressures.

Within Refuse Collection, ongoing route support and attendance being slightly above the budgeted target is projected to cost £329k. Additional costs incurred for front line cover required for refuse staff training/appraisals are projected to be £64k. However, this is offset by savings in PRP and by using existing spare capacity on the new Garden routes to collect SORT from Hard to Access properties (£194k).

A restructure of Household Waste Sites staffing is expected to cost around £150k in year, but this will be funded by targeted improvements in recycling rates at these sites.

Savings in Car Parking and other vacant officer posts amount to (£142k).

The staffing budget remains under considerable short term pressure whilst work continues on progressing a number of restructures which will ultimately deliver significant long term savings to the Directorate.

#### Premises & Supplies and Services (£403k)

Significant savings of over £1m which were budgeted for in waste disposal from new contracts continue to be on target to be delivered. Additional savings are projected of (£360k) for reduced tonnages, 70% targeted to HWSS recycling. The potential for a LATS shortfall in 2011/12 which, depending upon the prices of allowances, could reach £35k.

Projections assume a spending freeze across the Directorate to contribute (£230k) helping offset various minor overspends.

#### Transport (£ 3k)

Rising fuel prices are estimated to cost £140k across Environmental Services.

These pressures are partially offset by a review of Street Cleansing and Household Waste Sites vehicles numbers which when reduced will save an anticipated (£24k) and transport savings from more effective vehicle utilisation of (£76k).

Transfer Payments (£1,000k)

Work to determine the feasibility of funding support charges in Sheltered Housing through Housing Benefit rather than Supporting People for eligible tenants, is being progressed in conjunction with the ALMOs and BITMO. An action plan to realize savings of £1,000k, has therefore been included within the financial position.

Income + £618k

Car Parking income is currently projected to be £419k short of the budget overall. However, this comprises a number of variations - mainly further reductions in PCN numbers, lower than anticipated income from suspended bays, a reduction in fee income and the expected non achievement of conversion of short stay spaces to long stay.

Income from recycling is anticipated to be £78k below budget as a result of not receiving any income from recycled glass.

In addition, there is a £136k pressure on income chargeable to capital / HRA on the Group Repair Scheme, Out of Hours Noise service and the City Projects team.

## Directorate Resources

(Under) / Over Spend for the current period												
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport	Internal Charges £000	Use of Reserves £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	Qtr 1 (Under) / Overspend £000
G	Financial Management	Chief Officer Fin Management	(28)	0	25	(4)	11	0	5	(59)	(54)	0
G	Business Support Centre	Chief Officer Fin Management	(46)	0	96	(2)	(1)	0	47	(107)	(60)	0
G	Financial Development	Chief Officer Fin Development	(68)	0	13	0	0	0	(55)	(10)	(65)	(67)
R	Revenues and Benefits	Chief Revenues and Benefits Officer	(127)	2	(31)	33	0	0	(123)	(70)	(193)	290
R	Information Technology	Chief ICT Officer	69	0	(14)	0	0	(150)	(96)	100	5	73
G	Human Resources	Chief Officer HR	(454)	(43)	122	3	93	0	(279)	45	(234)	(202)
G	Audit & Risk	Chief Officer Audit and Risk	(61)	4	11	(1)	(1)	0	(49)	1	(50)	(60)
G	CORS Directorate	Chief Officer Resources and Strategy	6	0	6	0	0	0	12	(7)	5	(13)
G	Public Private Partnership Unit	Chief Officer PPPU	88	0	11	0	0	0	99	(7)	92	(1)
G	Procurement		139	0	4	0	0	0	143	(159)	(16)	0
G	Democratic and Central Services	Chief Officer Democratic and Central Services	88	28	(129)	3	25	(8)	7	(122)	(115)	(53)
R	Commercial Services	Chief Officer Commercial Services	663	0	147	330	(45)	0	1,095	(366)	729	0
G	<b>Total</b>		<b>269</b>	<b>(11)</b>	<b>261</b>	<b>364</b>	<b>82</b>	<b>(158)</b>	<b>808</b>	<b>(763)</b>	<b>45</b>	<b>(41)</b>

**Directorate      Legal Services**

			<b>(Under) / Over Spend for the current period</b>										<b>Qtr 1 (Under) / Overspend</b>	
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	Internal Charges £000	Payments to External Bodies £000	Transfer Payments £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	£000	
<b>G</b>	Legal Services	Chief Legal Services Officer	674	2	25	0	(600)	0	0	101	(177)	(76)	117	
<b>G</b>	<b>Total</b>		<b>674</b>	<b>2</b>	<b>25</b>	<b>0</b>	<b>(600)</b>	<b>0</b>	<b>0</b>	<b>101</b>	<b>(177)</b>	<b>(76)</b>	<b>117</b>	



**Directorate Planning, Policy and Improvement**

			<b>(Under) / Over Spend for the current period</b>										<b>Qtr 1 (Under) / Overspend</b>	
Traffic Light	Service	Chief Officer	Staffing £000	Premises £000	Supplies & Services £000	Transport £000	Internal Charges £000	Payments to External Bodies £000	Transfer Payments £000	Total Expenditure £000	Income £000	Total Under /Overspend £000	£000	
<b>G</b>	Customer Services	Chief Officer Customer Services	0	(1)	(5)	13	0	0	0	7	(8)	(1)	1	
<b>G</b>	Leeds Initiative & Partnerships	Chief Officer LIP	0	0	0	0	0	0	0	0	0	0	0	
<b>G</b>	Business Transformation	Chief Officer Business Transformation	0	0	0	0	2	0	0	2	0	2	0	
<b>G</b>	PPI Management & Support	Assistant Chief Executive	2	0	0	0	0	0	0	2	0	2	(2)	
<b>G</b>	Area Management	Area Leader	0	0	0	2	0	0	0	3	(0)	2	0	
<b>G</b>	<b>Total</b>		<b>2</b>	<b>(1)</b>	<b>(5)</b>	<b>16</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>(9)</b>	<b>6</b>	<b>(1)</b>	

## CENTRAL AND CORPORATE FUNCTIONS: 2011/12 BUDGET – PERIOD 4 REPORT

### 1.0 Introduction

This report sets out the financial position for Central and Corporate Functions for period 4 of 2011/12.

### 2.0 Overall Summary

The Central and Corporate budget for 2011/12 reflects savings and efficiencies amounting to £15.7m representing a considerable challenge for services to deliver.

The projection at month 4 is for the budget to be achieved by the end of the year.

### 3.0 Explanation of the projected overspend

#### Resources (£45k overspent)

##### Staffing (+£269k)

The most significant area of savings for Resources is staffing; the pay budget was reduced by £8.2m in 2011/12. In anticipation of the level of savings required, vacancy control has been very carefully managed for the past year, and in addition the Directorate has been successful in reducing staff costs through the Early Leavers Initiative. As a result £6m of these savings were secured before the start of the financial year. With the continuation of these measures many services have seen further reductions in staff levels and therefore further pay savings are predicted.

The overall impact is that, excluding Commercial Services, an underspend of £393k is anticipated. The biggest challenge has been achieving the ambitious staffing reductions within the traded services in Commercial Services and it is currently anticipated that pay will overspend by £663k in this area (although this projection still assumes the group's traded surplus will increase by 33% this financial year).

##### Supplies and Services (+£261k)

The overall projected overspend is a combination of unders and overs across all services which reflect the outcome of a recent line by line review of all running cost budgets undertaken by the Finance team in conjunction with Chief Officers.

##### Transport (+£364k)

The impact of the increase in fuel prices amounts to £620k. This cost is passed directly onto directorate budgets (shown as additional income). In addition predicted savings on tyre contracts are not now expected to materialise (£90k).

These pressures are offset by lower spend on private hire within Passenger Services amounting to £364k and, as with fuel costs, this feeds directly through to client budgets.

##### Internal Charges (+£82k)

The main cause of the increase in spend is legal charges incurred by HR.

#### Use of reserves (-£158k)

The variation represents an adjustment from the Leeds Learning Network reserve which is being drawn upon to fund cost pressures in revenue.

#### Income (-£763k)

The main causes of increased income are:

- £150k additional 'court fee' income compared to the previous month
- £620k recharge of increased fuel costs to services
- £357k – various other increases including funding of the May referendum

As described in the section on Transport, the income projection is reduced by £364k due to lower spend on private hire charges within Passenger Services.

#### **Planning, Policy and Improvement (£7k overspent)**

No significant variations in spend or income are apparent at month 4 and the Directorate have plans in place to ensure that the budget is brought in on-line.

#### **Legal Services (£76k underspent)**

The main feature of the budget in 2011/12 is the targeted £1m reduction in legal spend. This was represented in the budget through a reduction in spend within Legal Services which in turn reduced the 'client' budgets within Directorates. The saving is targeted not only at internal legal costs, but also external spend.

Based on activity to month 4, in order to meet current demand levels, there is a projected overspend on staffing (mainly temporary and agency) of £674k which will be passed onto clients through charges. Legal services are working with clients to try and reduce workloads and work in different ways.

In terms of external legal spend (disbursements) the overall Council budget amounts to £2.4m. Current levels of spend indicate that that budget will be fully spent in 2011/12, however it is obviously a volatile budget and difficult to predict. Legal Services are currently renewing the call off contract for legal firms which will hopefully result in more competitive rates. Negotiations are also taking place with Counsel Chambers to optimise the rates.