

## Report of the Director of Resources

### Report to Scrutiny Board (Resources and Council Services)

Date: 3<sup>rd</sup> October 2011

Subject: Financial Health Monitoring 2011/12

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 Scrutiny Board of the financial health of the authority in respect of the revenue budget.
2. As the month 5 report to Executive Board is not yet available, the month 4 position has been updated to provide details of major variations impacting on the projection since last month.

### Recommendations

5. Members are asked to note the projected financial position of the authority.

## 1. Purpose of this report

- 1.1 This report sets out for the Board the projected financial health position of the Council for 2011/12.
- 1.2 Budget Monitoring is a continuous process throughout the year, and this report updates the month 4 position with details of the major variations which have impacted on the projection since last month.

## 2. Background information

- 2.1 The month 4 projected overspend was £9.6m as shown in the table below:

(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>

- 2.2 The main areas of concern were:-

- Non achievement of assumed procurement savings for residential and nursing care packages within Adult Social Care
- The number of externally provided residential and fostering placements in Children's Services
- Income shortfalls mainly relating to planning and building regulation fees, car parking, advertising and children's centres

## 3. Main Issues – latest position

- 3.1 Although the position is largely unchanged from last month, the latest projection within Children's Services has improved by £2.8m. This mainly reflects a £1.6m distribution of Education Leeds operating surplus and an estimation that around £2m costs can be properly charged against standards fund grant, resulting in a saving to the general fund.
- 3.2 The Council's audited accounts are being reported to the Corporate Governance and Audit Committee on the 30<sup>th</sup> September 2011. The accounts do identify a significant change to the position previously reported, with the result that General Fund Reserves at the end of the 2010/11 financial year were £29.6m. This improvement is due to the Council been successful in a VAT claim to HMRC on the fees charged for the collection of trade waste. This claim was submitted in March 2009 relating to the period from 1974 to March 2008 and was made on the basis of anomalies between European VAT legislation and the guidance issued by HMRC, and that the collection of trade waste was a non-business, rather than a taxable

business activity. In August 2011, HMRC agreed to pay the Council £3.7m plus interest of £4.7m, a total of £8.4m.

- 3.4 However, this additional income is one-off but the additional reserves will enhance the Council's ability to mitigate against some of the spending pressures in the current year, and reduce the impact of the £27m Formula Grant loss in 2012/13.

#### **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.

##### **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<sup>2</sup> is prepared before the start of each financial year and is monitored on a regular basis.

#### **5. Recommendations**

- 5.1 Members of Scrutiny Board are asked to note the contents of this report.

#### **6. Background Documents**