



Leicester
City Council

**CABINET BRIEFING
PERFORMANCE AND VALUE FOR
MONEY SELECT COMMITTEE
CABINET**

10th December 2007

**14th January 2008
21st January 2008**

REVENUE BUDGET MONITORING 2007/08– PERIOD 7

REPORT OF THE CHIEF FINANCE OFFICER

1. PURPOSE OF REPORT

1.1 The purpose of this report is to show a summary position comparing spending with the budget. The report is the second in the regular cycle of reports for the 2007/2008 financial year showing the budget issues that have arisen so far. Further reports will be presented to Cabinet and the Performance and Value for Money Select Committee for Periods 9 and Outturn.

2. SUMMARY

2.1 The General Fund budget set for the financial year 2007/2008 was £240.1m. Together with the sums carried forward by service departments from 2006/2007 of £0.4m, the revised budget is now £240.5m. After 7 months of the year, 62% of the revised budgets of departments have been spent.

2.2 It is clear that the Adults and Housing Department is facing significant financial pressures this year. The Director, having already taken action to control non-essential expenditure, has developed proposals for eliminating the budget deficit of £2.4m. The Resources Department, faced with budgetary pressures of £1m earlier in the year, have reviewed their forecast position in detail and, after cutting spending and the use of one-off savings and usable reserves, is now reporting pressures of £0.3m.

2.3 The areas in which significant budgetary pressures exist remain largely the same as reported in previous months, and are as follows:

- Children and Young People's Services – Building Schools for the Future project development costs and independent school placements for pupils with special needs.
- Adults and Community Services – Pressures remain on Community Care Services, Older Peoples Services and the Adult Learning Service; and
- Resources – Coroners Service and Land Charges.

Further details on the departmental budgetary pressures are provided in Section 6 of this report.

- 2.4 We have recently received notification from the Department of Work and Pensions that they intend to clawback £2.6m of Housing Benefit Grant subsidy relating to 2005/06. Whilst to some extent we have provided for this, there is still a potential shortfall of £1.1m. Officers have written to the DWP to express our disappointment at this decision and to challenge the basis upon which this amount has been determined. Further details on this issue are outlined in paragraph 6.4.10.
- 2.5 Corporate budgets are anticipating significant savings relating to capital financing costs. This is mainly due to the continued growth in the level of underlying cash balances, slippage on the capital programme, and also some good borrowing decisions. These savings will provide a hedge against losses arising from claw back of housing benefit grant. The authority has also received a retrospective business growth incentive grant (£483k) following the outcome of a judicial review brought by another authority.

3. RECOMMENDATIONS TO CABINET

3.1 The Cabinet is recommended to:

- a) Note the changes made to the original approved budget for 2007/08;
- b) Note the expenditure to date and the budgetary issues which have emerged so far this year;
- c) Note the proposals put forward to ensure that spending is contained within the Departments' budgets;
- d) Consider what other action is necessary to prevent departments from overspending;
- e) Note the progress made towards achieving the Business Improvement Programme savings targets for 2007/08, as outlined in Section 8 of this report.
- f) Set aside £0.15m of corporate budget savings to meet new initiatives such as planning for the corporate assessment, the 25 year vision and regional working, and delegate to the Chief Executive (in consultation with the Leader) authority to spend these sums;
- g) Approve virement of £0.25m from the corporate budget savings to fund the increased cost of the new member allowances scheme, as outlined in para. 7.5.

3.2 The Performance and Value for Money Select Committee is asked to consider the overall position for the Council and make any observations it sees fit.

4. BUDGET FOR 2007/08

4.1 The General Fund budget for the financial year 2007/08 is **£240.1m**. After adding the approved carried forward amounts from 2006/07 (**£0.4m**) the budget for the year is now **£240.5m**.

- 4.2 Each Corporate Director is required by Finance Procedure Rules to ensure that services are delivered within budget, and has the responsibility of providing a framework for monitoring the budgets within the guidelines provided by the Chief Finance Officer.
- 4.3 Corporate Directors are responsible for their controllable budgets. These include employee costs, running costs and income. 'Indirect expenditure' or 'below the line charges' are the responsibility of the service provider with the cost of those services being included in the providers' controllable budgets.
- 4.4 The table below details the provisional revised net direct budget for the authority.

Table 1	Original Budget for 2007/08	Approved Carry forwards	Virements	Revised Budget for 2007/08
<u>Department</u>	£000	£000	£000	£000
Chief Executive's Office	981.4	-	106.9	1,088.3
Children & Young People	52,876.9	-	1.8	52,878.7
Regeneration & Culture	60,030.1	39.6	90.8	60,160.5
Adults and Housing	73,625.8	353.5	(1.8)	73,977.5
Housing Benefits	507.3	-	-	507.3
Resources	27,044.3	-	(480.7)	26,563.6
Total Departments	215,065.8	393.1	(283.0)	215,175.9
<u>Corporate Budgets</u>				
Miscellaneous	8,758.7	-	(217.0)	8,541.7
Capital Financing	19,266.1	-	-	19,266.1
General Fund (excl. net recharges)	28,024.8	-	(500.0)	27,807.8
Net Recharges	(3,024.6)	-	500.0	(2,524.6)
TOTAL GENERAL FUND	240,066.0	393.1	-	240,459.1

5. SUMMARY OF PROJECTIONS

- 5.1 The results of the monitoring of the budgets are summarised in Appendix 1.

6. SIGNIFICANT ISSUES ARISING FROM DEPARTMENTS

The budgetary issues, which have emerged to date, are as follows:

6.1 Chief Executive's Office

- 6.1.1 There are no major issues of concern in the Chief Executive's Office and the department is presently forecasting a balanced outturn.

6.2 Children & Young People

6.2.1 The overall position has not significantly changed from that reported in previous months. After the application of reserves and contingencies (£0.8m on general fund services), the Department currently forecasts a **break-even position**. However, the budget remains very tight, with key service pressures developing as the Department engages in major service improvement initiatives such as Building Schools for the Future, raising school attainment levels and the Inclusion Strategy. The General Fund forecast in particular is based on a number of assumptions around these initiatives, which could change as the year progresses, and which could affect the call on departmental reserves and contingencies to maintain a balanced budget overall.

6.2.2 There are a number of significant variations on the general fund element of the department's budget, which are largely as reported at period 4, including:-

- a) Building Schools for the Future – Financial close of Phase I is taking longer than anticipated to reach and longer term planning is also underway with particular emphasis on developing future phases. The costs of development and clientside are being funded from the revenue budget or by capitalisation to be paid back over the lifetime of BSF, as appropriate.
- b) Standards Unit - The Unit reports a number of significant budget pressures, particularly on school improvement partners and the use of external specialist professional staff to cover for vacant tier 3 posts. The financial position is currently being reviewed in detail to further quantify the pressures and explore potential options for offsetting them. The standards unit is also the prime focus of the school improvement plan currently under consideration with the Government Department for Children, Schools and Families (DCSF). Work is on-going to ensure that funding for the plan is earmarked, and reported to members as the plan is implemented.
- c) Social Care and Safeguarding – The division currently forecasts an under spend of £0.2m. This has arisen from one-off savings resulting from maximising the use of external partnership funding. In addition, the division has also achieved the early reconfiguration of services in respect of disabled children. This has released a one-off saving of £0.1m, ahead of the full savings expectation in the budget. Members will be asked (in a separate report) to approve that this saving is transferred to an earmarked reserve to be used in the related development of Barnes Heath House in 2008/09.
- d) Departmentally held budgets – Underspends of over £0.2m are expected on budgets for premature retirements in schools approved before April 2006, and the transport element of the Secondary Review budget.

6.2.3 Major variations in the schools block budget include a pressure of £0.5m on independent school placements for pupils with special educational needs, due to a further increase in the number of pupils assessed as requiring such places. The budget to reimburse mainstream schools in the city for the cost of support to statemented pupils is expected to overspend by £0.1m, with a further £0.1m overspend expected on support for early years pupils. Costs of the special education service, as a whole is difficult to forecast, as costs can be significantly affected by a relatively small change in the number of pupils requiring support. These pressures, together with other small overspends, will be met by underspends in areas, such as nursery education grants (£0.2m), and premature retirement costs (£0.1m), with the remainder funded (£0.4m), subject to approval by the Schools Forum, from the Schools Block Contingency.

6.2.4 Schools

Schools collectively have budgeted to withdraw in the order of £7m from their balances, which stood at £15m as at 31st March 2007. However, this includes planned contributions to contingencies at a number of schools, and based on previous years' experiences it is felt unlikely that such a large withdrawal will actually occur in practice - all the forecast spending may not take place, and further funding such as the Standards Fund may be received by schools as the year develops. However, the Department recognises there are new pressures on schools such as the job evaluation scheme for non-teaching staff, which could lead to higher than usual withdrawals and use of planned contingency sums.

6.2.5 The Schools forum has agreed the application of £4m of reserves to contribute towards funding the costs of single status back pay for non teaching staff. £2m will be drawn from the schools block reserve, with a further £2m to be found from the Dedicated Schools Grants (DSG) under-spend brought forward from 2006/07.

6.3 Regeneration & Culture

6.3.1 The department is forecasting a **balanced outturn** against a net budget of £60m. However there are a number of risk areas that are being addressed by the department and these are described in the following paragraphs. The current residual risk to the department achieving a breakeven result for the year is £0.4m.

6.3.2 Major risk areas are as follows:

- a) Continued reduction in the death rate compared to 2006/07 resulting in a forecast annual 12% reduction in cremation income.
- b) Additional landfill tax on waste streams and not achieving the additional income from selling capacity at the Bursom Ball Mill waste processing plant.
- c) Potential increase in the De Montfort Hall subsidy following a review of the annual programme.
- d) Potential unrealised agency cost savings
- e) Reduced Markets rental income.

6.3.3 Further work is being carried out to address the potential over-spend and this will be reported at Period 9. There are two other items which are not included with the above £0.4m net risk:

- a) Additional costs associated with operating the concessionary fares schemes. The department is not yet in a position to quantify these costs but this issue is expected to be resolved before the end of the calendar year.
- b) The deficit which City Catering will incur if they continue to subsidise free school meals. It has been assumed that this will be resolved through additional, existing funding from the Children and Young People's Department, and so is not included above.

6.4 Adults and Housing

6.4.1 Overall the Department is forecasting pressures of £2.4m on a gross budget of £138.3m. The main pressures are within the former Adults & Community Services Department, and total £2.8m. The main reasons for this position are outlined in the following paragraphs:

6.4.2 The Department had underlying pressures of £1m in 2006/07. This was met by the use of one-off reserves for that year but nevertheless the inherent shortfall remains.

6.4.3 Demographic growth for 2007/08 is proving considerably larger than was allowed for in the budget. The main cost increases have been in:

- People with Learning Disabilities where the cost has risen by £0.9m primarily due to a small number of very expensive transfers (including very complex cases costing more than £0.1m per annum each) of young people.
- People with Physical Disabilities where the cost has risen by £0.7m. Again the significant increase is due to a comparatively small number of cases. Those with significant brain injury cost around £50k per annum each.
- Older People with Mental Health Problems. This is the consequence of an ageing population and includes increases in dementia cases. This is costing an additional £0.7m.

6.4.4 The Department has been affected by actions taken by the Primary Care Trust including:-

- Minimising the numbers of residential and nursing placements for older people has been difficult in light of the reduced capacity of health-provided rehabilitation beds. A much greater number of placements have been required for hospital discharges than in previous years which is in part related to the changes this year in rehabilitation provision commissioned by the PCT within acute and community settings.
- The re-provision of NHS respite care for people with physical disabilities has resulted in the transfer of costs to the City Council. This has been brought to the attention of PCTs

6.4.5 There is a shortfall in the Adult Skills and Learning Budget of £0.3m.

6.4.6 The implementation of the council's business improvement programme has affected the department's financial position.

- Additional costs have arisen over the last couple of years because of the introduction of new computer systems. Following the centralisation of the service together with the associated budget, budget transfers were based on average expenditure and the Department has an ongoing shortfall of £0.2m as a result.
- Budgets have been removed from the Department based on projected savings on agency staff. The present position in respect of this review is described in paragraph 8.5.

6.4.7 The Director is taking the following actions to bring expenditure in line with the Department's budget:

- A letter has been sent to all cost centre managers explaining the Department's overall financial position and asking them to do everything possible to minimise expenditure.
- No recruitment is allowed without directorate approval that it is essential in the short term
- A series of measures have been taken around the provision of services to service users; including the consistent application of eligibility criteria
- Deferring expenditure on building maintenance
- Deferring as much other expenditure as possible (including the purchase of computers)
- Reviewing grant spend and maximising external resources
- Expenditure capitalisation
- The Department will use all its remaining reserves (£0.85m) against the current year's overspend although there will be future claims which will instead have to be met from operating budgets.

6.5.8 Clearly, current measures to reduce spending cannot be sustained, and will need to be dealt with as part of the 2008/09 budget.

Housing Benefit Payments

6.4.9 The cost of housing benefit payments (£108m) is almost entirely met by government grant. There are a number of risks and uncertainties that can affect this volatile budget including:

- The extent to which grant is being clawed back by the DWP following the finalisation of the 2005/06 claim (which is explained in more detail below);
- Issues and variations relating to the 2006/07 grant claim which is presently subject to audit; and
- Overpayments/overpayment recoveries, to the extent that these exceed budget.

6.4.10 Notification has recently been received from the DWP stating that they intend to clawback £2.6m of overpaid subsidies relating to the 2005/06 claim. This is partly offset by a provision for clawback of £1.5m, resulting in a **shortfall of £1.1m**. However, officers have analysed the basis of DWP's decision and have written to the DWP to challenge this notification.

6.4.11 Bearing in mind the risks and uncertainties highlighted above, the authority has already set aside a provision of £1m, against possible clawback of grant relating to the 2006/07 claim. This sum is subject to review, pending the finalisation of the 2005/06 claim.

Housing Revenue Account

6.4.12 The original budget for the HRA was a planned £0.5m surplus for the year. The current forecast indicates a surplus of £1.1m, a favourable variance of £0.6m. This variance is largely due to savings on district heating energy costs, due to substantial reductions now achieved in negotiating new prices for electricity and particularly gas, following the earlier increases which were effective from June 2006.

6.4.13 HRA balances stood at £2.9m as at 31st March 2007 and this forecast surplus (£1.1m) would increase balances to £4m by March 2008. These balances are ring fenced by law for housing purposes. It is intended that they will be used to meet short term costs of the council new pay and grading scheme for staff employed in the HRA and trading service, to support the HRA capital programme, and to help meet the Decent Homes Standard by 2010.

6.5 Resources

6.5.1 The Resources Department continues to face major budget difficulties. These arise from the areas previously reported to members: the Coroner's services (£340k), Local land charges (£110k), Childcare vouchers (£50k), plus unallocated support service review savings (£80k) and other unallocated budget savings (£160k). In addition there are overspends forecast on additional computer equipment for the local elections (£90k). The Department has taken action to offset the impact of these problems, including a moratorium on all non-essential recruitment, and a freeze on all non-essential spending, including some Property maintenance. A considerable amount of one-off savings have thus been identified. The department will re-direct its useable earmarked reserves to meet the overspend. After all of these factors have been brought into account the overspend forecast still stands at £280k.

6.5.2 The Departmental Management team continues to review options for finding this remaining shortfall. The director is committed to a major review of the structure of the Department in order to address the underlying budget shortfall, but this is unlikely to resolve any of the remaining problems in 2007/08.

7. CORPORATE BUDGETS

7.1 This budget (£28m) includes a number of items that are not within the controllable budgets of any corporate directors. Capital financing (£19.3m) is by far the largest element of the budget but it also includes bank charges, audit fees, levies and other miscellaneous expenditure.

- 7.2 Significant savings of around £4m are anticipated in capital financing costs. The reasons for the underlying savings are:-
- a) Continued growth in the underlying level of cash held by the authority – this has been a trend every year (at this and other authorities) and has continued this year;
 - b) Slippage in capital expenditure;
 - c) Good borrowing decisions – substantial sums were borrowed in advance of capital expenditure when interest rates were lower than they are now, and we are now benefiting from increased interest rates on sums which have not yet been spent.

These savings will provide a hedge against any further losses of housing benefit grant through claw back. They will also be used to pay for the additional clawback from the 2005/06 claim.

- 7.3 The authority has received additional retrospective Local Authority Business Growth Incentive (LABGI) grant income amounting to £486k in respect of the 2005/06 and 2006/07 allocations. This follows the outcome of a judicial review in which a legal challenge into mechanism for calculating this grant was mounted by Corby and Slough Borough Councils. We also expect to receive a significant amount of LABGI in 2007/08, based on current projections (this is the third and final year of the current scheme. Apart from the retrospective grant for 2006/07, we have not received any significant amounts in earlier years.
- 7.4 There are some items of expenditure proposed which will support the Council's strategic development and improve the review of performance. These include one-off expenditure of £30k to develop the Council's 25-year vision, and £20k to conduct the Corporate Assessment in readiness for the forthcoming CPA inspection. It is envisaged that these items will be funded from monies set aside for such one-off corporate initiatives.
- 7.5 The revised scheme for Member's allowances has resulted in an increased cost to the Resources Department, and it is recommended that the impact of this in 2007/08 should be funded in the sum of £250k from the in-year underspend within the corporate budgets. The ongoing costs of the scheme will be addressed within the 2008/09 budget strategy.

8. BUSINESS IMPROVEMENT PROGRAMME

Budgeted savings

- 8.1 In the 2007/08 to 2008/09 budget strategy the Business Improvement Programme was required to generate £2.6m of savings in 2007/08, provisionally rising to £4.3m by 2008/09. This was split between sums which were to be deducted from departmental budgets, sums which will generate savings in corporate budgets, and sums expected in future years which must remain as corporate provision for the time being. The breakdown is as follows:

	2007/08 £'000	2008/09 £'000	2009/10 £'000
Deductions from Departmental Budgets			
<u>Support Services Review</u>			
HR Improvement plan	400	1,200	1,200
ICT improvement plan	600	600	600
<u>Procurement</u>			
Agency Contract	1,000	1,000	1,000
Property Maintenance	300	300	300
Corporate Savings			
Disposal of Corporate Operational Properties	270	270	270
Corporate Provisions			
Further property review savings		330	330
Further support service savings		600	600
Total	2,570	4,300	4,300

Allocation of savings

8.2 A substantial and difficult technical exercise has taken place with officers to identify and transfer budget provision from departments to the now centralised ICT and HR functions, and to determine the most appropriate basis for allocating the agency savings to departments. This is now finalised, with the following exceptions:-

- a) A one month delay in the implementation of the agency contract, resulting in only £0.9m of savings being allocated. The balance will be a cost to corporate budgets in 2007/08.
- b) Delays in centralising ICT purchasing budgets (see below).

Progress towards achieving savings

8.3 **HR Improvement plan** – A new staffing structure costed against the £1.2m savings target for 2008/09 onwards has been approved. The service is going through a period of major change, in addition to which, there are substantial pressures and capacity shortages arising from the implementation of the new single status framework agreement and equal pay. The risks to the Council in combining the timetable for the implementation of the HR Improvement Plan and Single Status and Equal Pay mitigation in 2007/08 are regularly reported to the Single Status Project Board and Corporate Directors Board. The savings target for 2007/08 of £400k will be achieved. However, to some extent this is due to slippage and recruitment drag. The full savings from the improvement plan are not budgeted until 2008/09.

- 8.4 **ICT Improvement plan** – Savings in staffing and PC procurement costs have now been achieved. Achieving the other expected savings from procurement of IT requires consolidation of the IT purchasing function and the associated budgets. As reported above, delays in centralising ICT purchasing budgets have arisen and these will not now be centralised until 2007/08. This issue is currently being reviewed in order to ensure that it is not a problem in future years. The Service Director, Information is working to find these savings, together with additional savings to meet the resources department's budget shortfall, from across the service by delaying some senior recruitment, through one off under-spends and by ensuring the full recovery of support costs from the 101 grant funded service.
- 8.5 **Procurement - agency contract** – The new contract commenced operation on 30th April, four weeks later than planned due to technical software problems. The precise level of savings achieved is still being analysed. However, indications are that the average saving (6.5% - 8.5%) is less than was originally envisaged (10%). The forecasts suggest the Council will save around £0.75m this year, although this may be slightly less given that some savings will fall outside the general fund. The use of agency staff has fallen, which may be (in part) because the new arrangements have forced attention on existing placements for which permanent staffing arrangements may have been preferable. Had the council's previous expenditure been maintained the saving would have been in the region of £1m. In effect, this will increase the saving made by the Council if the trend continues. Savings are being monitored on a monthly basis.
- 8.6 **Procurement – property maintenance** – The £300k savings target has been allocated to the Central Maintenance Fund. The Property Service are working towards the implementation of framework contracts in order to bring contracts together and reduce the supplier base to achieve greater value for money. Opportunities for collaborative working with other local authorities are also being investigated.
- 8.7 **Disposal of surplus properties** – This saving relates to the additional interest earned from capital receipts generated following the disposal of surplus properties. Due to the nature of releasing properties on to the market, the time frame has had to be revised, this means there will be a shortfall in the region of £0.2m in relation to the 2007/08 saving target. However, it is anticipated that, after the identification of additional properties to be released to the market, the forecast shortfall in 2007/08 will be made up in future years, and the overall savings target achieved.

9. **JOB EVALUATION**

- 9.1 Cabinet, at its meeting on the 23rd July 2007, delegated authority to the Chief Finance Officer to action the necessary budget adjustments following implementation of the Single Status Framework Agreement. Adjustments will be made to the departments' budgets for the current financial year and the following three years. Indications are that the £3m p.a. provision set aside in the budget strategy is under considerable pressure, although this will not impact on 2007/08. Negotiations with trade unions are continuing.
- 9.2 Work to calculate the necessary budget adjustments is ongoing. For 2007/08 the

adjustments will cover the effect of backdating the new agreement to 1st July 2007, and (given delays in implementing the scheme) will be estimated in the accounts.

- 9.3 In respect of equal pay settlements, approximately £6.7m (net of pension and tax liabilities) has been paid to date. Appointments for eligible employees to sign the agreements and collect cheques are ongoing and it is expected that the total paid will increase rapidly over the next few weeks. Work is ongoing to resolve queries to produce a final cost for the settlements. At this stage, the total cost of settlements including all pension and tax liabilities is expected to be in line with the figure (£12m) reported to Cabinet on the 23rd July 2007, but there remain a large number of queries about entitlement which are still to be resolved.

10. PAY AWARD

- 10.1 Negotiations between local government employers and trades unions have recently been settled at 2.475% and 3.4% for employees on the bottom scale point 4. This results in an average increase in the region of 2.49%. The provision for pay inflation included within the 2007/08 budget is 2.5%.

11. MAJOR PARTNERSHIPS

- 11.1 Best practice suggests members should monitor the financial performance of major partnerships.

11.2 SNEN (Single Non-Emergency Number) / 101 Project

This is a national initiative, being implemented locally, to offer the number 101 as an alternative to 999. It is intended that 101 will be used to report less serious offences, principally anti-social behaviour, thereby freeing up the 999 to be used for genuine emergencies. This project is initially programmed to run to the end of March 2008, but the Home Office has recently announced that the funding will cease on December 31st 2007. The funding agreement provides for the Home Office to contribute a maximum of £437k to meet the costs of closing the project, and it is anticipated that costs can be contained within that sum. The total budget (100% grant funded) was £1.2m for the for the initial implementation, which is now fully spent and claimed, and £3.1m for the consequential operational costs of which £1.6m was spent and claimed in 2006/07 and the balance is forecast to be spent in 2007/08.

11.3 Local Area Agreement (LAA)

In 2007/08 the City Council will receive £20.1m as part of the LAA. This is allocated across two principal themes: Children and Young People - £9.5m and Safer and Stronger Communities - £1.8m, plus an allocation of Neighbourhood Renewal Fund (NRF) money totalling £7.7m and a ringfenced component, the "Disadvantaged Area Fund", amounting to £1.1m. The allocation of the grant is agreed through the Leicester Partnership, a group representing a wide range of stakeholders from across the city. As at the end of October, spend to date totals £7.2 m or 36%, of which £2.5m relates to NRF projects. The forecast outturn is for full spend, and there has been a small amount of over-programming to ensure that this level of spend is achieved. Officers are currently working with partners to ensure that this over-programming is carefully managed so that it does not result in an overspend.

11.4 Learning Disabilities Pooled Budget

This arrangement, under Section 31 of the Health Act 1999, is for the joint commission of various services and is in partnership with Leicester City Primary Care Trust. The city council acts as the host and has lead responsibility for its operation. The total budget for the pool in 2007/08 amounts to £24.2m, of which £11.6m is the city council's contribution and £12.6m the PCT's. At this stage of the year the forecast indicates an **overspend of £0.4m** or 1.6%. A report is due to be presented to the Joint Commissioning Board to present this position and recommend action to reduce spending. Any under or over spends at year end can be carried forward into the next financial year.

11.5 Supply of Community Equipment – Pooled Budget

This arrangement, also under Section 31 of the Health Act 1999, is for the supply of community equipment in partnership with Leicestershire County Council, Rutland County Council and six other primary care trusts. Leicester City Primary Care Trust acts as the host. The city council's budgeted contribution in 2007/08 is £0.4m. At this stage of the year we have not received any formal monitoring information but the PCT has indicated that the pool will break even.

12. GROWTH & REDUCTIONS

12.1 Departments are reporting the following significant variations in achieving the growth and reductions approved as part of their 2007/08 Departmental Revenue Strategies. These have all been incorporated into their forecast outturn position reported earlier.

- Adults & Housing – A 200k growth item was included in response to increased demand for Bed and Breakfast accommodation for the Homeless. Current demand suggests that this will not be utilised, however this could change in the later part of the year, and hence the forecast assumes full spend.
- Regeneration and Culture – A £50k savings target relating to street furniture advertising is unlikely to be achieved due to difficulties in identifying new sites.
- Resources Department – A growth item of £150k was included to fund the cost of an Information Management Team. Due to delays in the project a one-off saving of £100k in 2007/08 is anticipated.

13. INVOICE PAYMENTS

13.1 The Council has set a target to pay 93% of all undisputed invoices on time (2006/07 target: 92%) A payment is deemed to be "on time" if it is paid within 38 days of the invoice date. Performance against this target varies between departments and, if the target is to be achieved, it is important that any deficiencies in Departments' arrangements are identified and rectified promptly. The performance for the month of October was 94.4%, and the cumulative position for the 7 months to date 94.4%. The performance for the remainder of the year needs to run at around 92% if the target is to be achieved. The performance of each department is shown in the table found at Appendix C.

14. FINANCIAL INDICATORS

14.1 As part of the 2007/08 budget report, Cabinet and Council approved various financial indicators taken from the council's balance sheet and cashflow statements, these are to be monitored and reported as part of the regular cycle of budget monitoring reports.

14.2 The indicators are attached at Appendix B to this report and include the position as at 1st April 2007 together with a forecast for the year ended 31st March 2008.

15. FINANCIAL AND LEGAL IMPLICATIONS

Financial Implications

15.1 This report is solely concerned with financial issues.

Legal Implications

15.2 There are no direct legal implications in this report. Peter Nicholls, Head of Legal Services has been consulted on the preparation of this report.

16. OTHER IMPLICATIONS

Other implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Policy	No	-
Sustainable and Environmental	No	-
Crime and Disorder	No	-
Human Rights Act	No	-
Elderly/People on Low Income	No	-

17. DETAILS OF CONSULTATION

17.1 All departments are consulted on revenue budget monitoring.

Author: Lisa Turner

Date: 5/12/2007

MARK NOBLE
CHIEF FINANCE OFFICER

DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)

APPENDIX A

GENERAL FUND REVENUE BUDGET MONITORING PERIOD 7 2007/08

	Original Budget	Carry forwards	Virements	Revised Budget for Year	Actual Expenditure to Period 7	Forecast Outturn	Forecast Variance over (under) spend before action is taken	Forecast Variance	% Spend Period 7 2007/08
	£000	£000	£000	£000	£000	£000	£000	%	%
Chief Executive's Office	981.4	0.0	106.9	1,088.3	624.4	1,088.3	0.0	0.0%	57.4%
Children and Young People	52,876.9	0.0	1.8	52,878.7	40,281.1	52,878.7	0.0	0.0%	76.2%
Regeneration & Culture	60,030.1	39.6	90.8	60,160.5	34,354.0	60,160.5	0.0	0.0%	57.1%
Adults & Housing	73,625.8	353.5	(1.8)	73,977.5	40,405.0	76,407.7	2,430.2	3.2%	54.6%
Housing Benefit	507.3	0.0	0.0	507.3	296.0	507.3	0.0	0.0%	58.3%
Resources	27,044.3	0.0	(480.7)	26,563.6	17,399.3	27,444.6	881.0	3.2%	65.5%
Total Departments	215,065.8	393.1	(283.0)	215,175.9	133,359.8	218,487.1	3,311.2	1.5%	62.0%
Corporate Budgets									
Miscellaneous	8,758.7	0.0	(217.0)	8,541.7	(516.8)				
Capital Financing	19,266.1	0.0	0.0	19,266.1	n/a				
Total Corporate Budgets	28,024.8	0.0	(217.0)	27,807.8	(516.8)				
TOTAL GENERAL FUND	243,090.6	393.1	(500.0)	242,983.7	132,843.0				
Net Recharges	(3,024.6)	0.0	500.0	(2,524.6)					
TOTAL GENERAL FUND	240,066.0	393.1	0.0	240,459.1					

FINANCIAL INDICATORS
Forecast Balance Sheet and Cashflow Items
Period 7: 2007/08

<u>Financial Indicator</u>	Actual as at 1st April 2007 £'000	Forecast at 31st March 2008 £'000
<u>Balance Sheet Items</u>		
Reserves & Balances:		
Earmarked Revenue Reserves	49,365	45,725
Earmarked Capital Reserves	6,326	1,276
Housing Revenue Account	2,911	3,979
Debtors (excl. Bad Debts Provision)	70,586	72,266
Creditors	87,807	92,766
Long-Term Borrowing	327,570	255,599
<u>Cashflow Movements</u>		
Increase/(Decrease) in all borrowing	6,217	(48,404)*

* This decrease is offset by a projected £54m reduction of investments.

**INVOICE PAYMENT STATISTICS
APRIL 2007 TO OCTOBER 2007 (7 MONTHS)**

	INVOICES PAID "ON TIME"	
	October %	Year to Date %
ADULTS & HOUSING	94.8%	95.0%
CHILDREN & YOUNG PEOPLE	91.8%	90.5%
REGENERATION & CULTURE	95.2%	96.6%
RESOURCES	95.2%	93.7%
TOTAL	94.4%	94.4%

2007/08 TARGET: 93%