



Leicester
City Council

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

21st February 2008
3rd March 2008

REVENUE BUDGET MONITORING 2007/08– PERIOD 9

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 third in the regular cycle of reports for the 2007/2008 financial year showing the budget issues that have arisen so far. A further report will be presented to Cabinet and the Performance and Value for Money Select Committee at 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 9 months of the year, 73% of the revised budgets of departments have been spent.
- 2.2 The Adults and Housing Department continues to face significant financial pressures this year. The Director has taken action to control non-essential expenditure and developed proposals for eliminating the potential deficit, which currently stands at £2m. It is now anticipated that through these actions, together with the use of one-off resources, the Department will achieve a balanced outturn. The Resources Department, faced with budgetary pressures of £1m earlier in the year, 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 As reported at Period 7, the DWP have indicated that they intend to claw back £2.6m of Housing Benefit subsidy relating to 2005/06, which after allowing for sums already provided for, means a potential shortfall of £1.1m. Officers have written to the DWP to challenge this assessment, resulting in a suspension of claw back pending investigation by the DWP. Further details on this issue are outlined in paragraph 6.4.11.
- 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 is also expecting significant business growth incentive grant this year. However, following further legal challenges into the methodology for distributing this grant, the Government has delayed announcing individual allocations.

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) Approve the establishment of an earmarked reserve as outlined in paragraph 8.7.
- 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
Department	£000	£000	£000	£000
Chief Executive's Office	981.4	-	106.9	1,088.3
Children & Young People	52,876.9	-	101.8	52,978.7
Regeneration & Culture	60,030.1	39.6	99.7	60,169.4
Adults and Housing	73,625.8	353.5	(10.7)	73,968.6
Housing Benefits	507.3	-	-	507.3
Resources	27,044.3	-	(480.7)	26,563.6
Total Departments	215,065.8	393.1	(183.0)	215,275.9
Corporate Budgets				
Miscellaneous	8,758.7	-	(317.0)	8,441.7
Capital Financing	19,266.1	-	-	19,266.1
General Fund (excl. net recharges)	243,090.6	393.1	(500.0)	242,983.7
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 draws to a close, 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 7, including:-

- a) Building Schools for the Future – Financial close of Phase I took longer than anticipated to reach and longer term planning is also underway with particular emphasis on developing future strategy. 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. Expected additional costs of £0.3m will either be managed within existing budgets or the department may seek to capitalise this sum.
- 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 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. These savings are recurrent and built into next years budget planning.

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. There may be a further impact on schools reserves and balances from the action plan to transform Leicester's learning. It is assumed that schools' balances collectively will increase by £1.5m, being the identified funding for preparing Building Schools for the Future paid to secondary schools.

6.2.6 Discussion is also taking place with the Schools' forum about the most appropriate way that schools and the authority's resources can be pooled to meet the costs of the plan to transform Leicester's learning.

6.3 Regeneration & Culture

6.3.1 The issues and risk areas which were reported at Period 7 remain, although they have been substantially addressed by the department and the **forecast outturn remains as per budget.**

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% (£200k) 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) Increasing energy costs, including a significant increase estimated at £100k for street lighting.
- f) Reduced Markets rental income.

6.3.3 The budget shortfalls identified above are being substantially addressed through savings, reprioritisation of expenditure and the use of one-off grant income where appropriate. There are two other items which are not included with the above:

- 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 financial year.
- b) The potential deficit previously reported in respect of City Catering subsidising school meals has been resolved with the use of additional funding from the Children and Young People's Department.

6.4 Adults and Housing

6.4.1 Overall the Department is forecasting pressures of £2m on a gross budget of £138.3m; although it is expected that the Department will manage within its overall resources through actions listed below. The main pressures are within the former Adults & Community Services Department, and total £2.5m. 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. This has also had an impact on the department's performance, as reflected in performance monitoring reports. As described in the latest performance monitoring report the PCT and UHL have improved the supply of rehabilitation beds and performance in December was stable.

- 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 has taken the following actions to reduce expenditure:

- 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

6.4.8 It is expected that the above actions will produce further savings and reduce the overspend to £1.5m by the year end. In order to achieve a balanced outturn the Department will need to use all its remaining reserves (£0.8m). Any future call on reserves will have to be met from operating budgets. In order to bridge the remaining shortfall the Department will need to capitalise expenditure.

6.4.9 The budget for adult services is being significantly increased in 2008/09 to reflect these pressures, assuming the proposed budget is approved.

Housing Benefit Payments

6.4.10 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 - the audit of which has recently been finalised; and
- Overpayments/overpayment recoveries, to the extent that these exceed budget.

6.4.11 As reported at Period 7, notification has 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 potential **shortfall of £1.1m**. However, officers have analysed the basis of DWP's decision and have written to the DWP to challenge this notification. The DWP have subsequently agreed to suspend clawback pending investigation of the issues raised in our letter.

6.4.12 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. As a consequence of the decision for 2005/06 and the audit of 2006/07, it is proposed to make a further provision of £2m to cope with any clawback in 2006/07 and potential clawback in 2007/08. Performance reporting this year has shown an overall improvement in the performance of the housing benefit service, partly reflecting additional investment made earlier in the year. It is hoped that the audit issues will be less significant in 2007/08 and become fully resolved. The extra £2m provision reflects a reduction in the one-off resources available to support next year's budget, and is reported in the reserves forecast shown within the budget strategy for 2008/09 – 2010/11.

Housing Revenue Account

6.4.13 The original budget for the HRA was a planned £0.5m surplus for the year. The current forecast indicates a surplus of £1.2m, a favourable variance of £0.7m. 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. In addition to this, following the settlement of the 2003/04 HRA subsidy claim, a provision of for possible reductions to the claim has not been required, resulting in a favourable variance of £800k. Consequently, the revenue contribution to the 2007/08 Capital Programme has been increased by this sum, as approved in the Housing Capital Programme report to full council on 24th January 2008.

6.4.14 HRA balances stood at £2.9m as at 31st March 2007 and this forecast surplus (£1.2m) would increase balances to £4.1m by March 2008. These balances are ring fenced by law for housing purposes. It is intended that they will be used to meet the costs of the council's new pay and grading scheme for staff employed within 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 (£90k) unidentified budget savings (£290k), and additional computer equipment for the local elections (£90k). The Department has taken action to offset the impact of these problems and a considerable amount of one-off savings has now been identified. The department will also re-direct its useable earmarked reserves to meet the overspend. After all of these factors have been brought into account the net pressures amount to £250k.
- 6.5.2 The departmental management team continues to review options for finding this remaining shortfall, the director is confident it can be achieved. The director is also committed to a major review of the structure of the Department in order to address the underlying budget shortfall, but this will not 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.
- 7.3 As reported at Period 7, we have received additional retrospective Local Authority Business Growth Incentive (LABGI) grant income amounting to £486k. Based on current projections, we also expect to receive a significant amount of LABGI in this (2007/08) the third and final year of the current scheme. However, the Government has delayed releasing the figures for individual authorities due to further legal challenges over the methodology.

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. This was split between sums which were to be deducted from departmental budgets, sums which will generate savings in corporate budgets. The breakdown is as follows:

	2007/08 £'000
Deductions from Departmental Budgets	
<u>Support Services Review</u>	
HR Improvement plan	400
ICT improvement plan	600
<u>Procurement</u>	
Agency Contract	1,000
Property Maintenance	300
Corporate Savings	
Disposal of Corporate Operational Properties	270
Total	2,570

Allocation of savings

8.2 Savings due from departments have now been allocated, 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 2008/09. 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. Indications are that the average saving (around 8.5%) is slightly less than was originally envisaged (10%). The forecasts suggest the Council will save around £0.95m 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. Savings are continuing to be 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. It is therefore recommended that the shortfall is earmarked to be met in future years.

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. The previous report highlighted that the annual provision of £3m was under pressure, although this would not impact on 2007/08. As a result of this, and in line with the decision of Cabinet (7th January 2008), further one-off costs of £1.1m are being added to the budget for 2008/09.
- 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 £7.4m (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. MAJOR PARTNERSHIPS

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

SNEN (Single Non-Emergency Number) / 101 Project

- 10.2 Following an evaluation of the cost-effectiveness of the pilot areas of the 101 initiative nationally, the Home Office has decided not to fund the continuation of the programme. This means that, not only will it not be rolled out across the country, but the project in Leicester will cease. The call centre was closed with effect from December 7th and, although the project will be fully funded up to that date, there is a cap on the funding for the costs of closure. Estimates will be submitted to the Home Office before the end of January and it is clear that keeping the costs (including redundancy costs) within the allocation will be tight.

- 10.3 The total budget (100% Home Office funded) is £1.2m for the initial implementation, which is now fully spent and claimed. An additional £3.0m was provided for the consequential operational costs, of which £1.6m was spent and claimed in 2006/07, and the balance is forecast to be spent during 2007/08. The funding agreement also provides for the allocation of a sum to the maximum of £438k to cover reasonable exit costs. Of this sum, £77k will be allocated towards continuing the funding of the Community Safety Groups, leaving £361k for the exit costs of the 101 call centre.

Local Area Agreement (LAA)

- 10.4 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"(DAF), 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.
- 10.5 As at the end of December, spend to date totals £11.3m or 56%, of which £4.6m relates to NRF projects and £0.1m on the DAF. With the exception of DAF 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. The maximum permitted carry forward under the LAA rules is 5% (£1.0m). The DAF was originally approved as a 2-year programme by the DWP and spend on the programme was planned over that period but, now that it has transferred to the DCLG and has been subsumed within the LAA, the carry-forward arrangements have been changed. This is being challenged through officers at GOEM. It is unlikely that the underspend can be limited to the current maximum of £54k.

10.6 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%. At a meeting of the Joint Commissioning Board in January the PCT agreed to pay their share of this overspend. The remainder of the overspend (£0.2m) will be met by the Adults and Housing Department (and has been incorporated into the forecast shown earlier in this report).

10.7 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. The PCT are indicating that the pool will break even.

11. **GROWTH & REDUCTIONS**

11.1 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 been reflected within their forecast outturn position reported earlier (unless stated otherwise).

Children & YP

- The expected saving from deletion of posts in Learning Services has occurred but has in turn been offset by the cost of external specialist staff to cover vacant Tier 3 posts.
- The saving on project support budget is coming under pressure from the improvement initiatives in the department and the need to develop key support service infrastructure.
- A reduction in the Extended Schools service management infrastructure within Learning Services is being reviewed in the light of grant funding arrangements.
- Growth underspendings - difficulties in recruiting staff to develop the Criminal Records Bureau checking infrastructure; and a potential lower requirement on safeguarding external placements, although the calls on this budget can change significantly at short notice.

Previously reported at Period 7:

- 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 final quarter 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.

12. INVOICE PAYMENTS

- 12.1 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 December was 95.7%, and the cumulative position for the 9 months to date 94.5%, which is on the threshold of the top quartile. The performance for the remainder of the year needs to run at around 91% if the target is to be achieved. The performance of each department is shown in the table found at Appendix C.
- 12.2 Improvements in performance by the Children and Young People’s Department are particularly welcome following interventions by the departmental management.

13. FINANCIAL INDICATORS

- 13.1 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.
- 13.2 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.

14. FINANCIAL AND LEGAL IMPLICATIONS

Financial Implications

- 14.1 This report is solely concerned with financial issues.

Legal Implications

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

15. 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	-

16. DETAILS OF CONSULTATION

16.1 All departments are consulted on revenue budget monitoring.

Author: Lisa Turner

Date: 6/2/2008

MARK NOBLE
CHIEF FINANCE OFFICER

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 9 2007/08

	Original Budget	Carry forwards	Virements	Revised Budget for Year	Actual Expenditure to Period 9	Forecast Outturn	Forecast Variance over (under) spend before action is taken	Forecast Variance	% Spend Period 9 2007/08
	£000	£000	£000	£000	£000	£000	£000	%	%
Chief Executive's Office	981.4	0.0	106.9	1,088.3	811.3	1,088.3	0.0	0.0%	74.5%
Children and Young People	52,876.9	0.0	101.8	52,978.7	39,734.0	53,332.0	353.3	0.7%	75.0%
Regeneration & Culture	60,030.1	39.6	99.7	60,169.4	44,378.3	60,169.4	0.0	0.0%	73.8%
Adults & Housing	73,625.8	353.5	(10.7)	73,968.6	49,607.4	76,005.0	2,036.4	2.7%	67.1%
Housing Benefit	507.3	0.0	0.0	507.3	380.3	507.3	0.0	0.0%	75.0%
Resources	27,044.3	0.0	(480.7)	26,563.6	21,927.1	27,402.2	838.6	3.1%	82.5%
Total Departments	215,065.8	393.1	(183.0)	215,275.9	156,838.4	218,504.2	3,228.3	1.5%	72.9%
Corporate Budgets									
Miscellaneous	8,758.7	0.0	(317.0)	8,441.7					
Capital Financing	19,266.1	0.0	0.0	19,266.1					
Total Corporate Budgets	28,024.8	0.0	(317.0)	27,707.8					
TOTAL GENERAL FUND	243,090.6	393.1	(500.0)	242,983.7					
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 9: 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	40,492
Earmarked Capital Reserves	6,326	1,100
Housing Revenue Account	2,911	4,127
Debtors (excl. Bad Debts Provision)	70,586	72,260
Creditors	87,807	92,760
Long-Term Borrowing	327,570	254,000
<u>Cashflow Movements</u>		
Increase/(Decrease) in all borrowing	6,217	(71,000)*

* This decrease is partially offset by a reduction of investments.

**INVOICE PAYMENT STATISTICS
APRIL 2007 TO DECEMBER 2007 (9 MONTHS)**

	INVOICES PAID "ON TIME"	
	December %	Year to Date %
ADULTS & HOUSING	94.3	94.9
CHILDREN & YOUNG PEOPLE	93.7	90.8
REGENERATION & CULTURE	97.4	96.4
RESOURCES	98.1	94.5
TOTAL	95.7	94.5

2007/08 TARGET: 93%