

Executive

10 October 2006

Joint Report of the Head of Finance and Head of Human Resources

First Performance and Financial Monitor - 2006/07

Purpose of the Report

- 1 This report provides details of the headline performance issues from the performance monitor session on the 27th September 2006. It also builds on this to present the latest projection of the Council's revenue income and expenditure for the current year.

Background

- 2 This year's first monitor session looked at a number of different areas of corporate performance, considered under three separate categories:
 - Progress on our corporate *priorities*.
 - A *corporate health* check for the Council (i.e. financial performance, staff performance, CPA and Customer First statistics)
 - Key performance issues of corporate significance from *directorates*.

There was also a special item considered regarding the recent economic job losses in the city.

- 3 This report follows the same format and all analytical performance data, reports and presentations used at the session have been added to the Council's intranet site, under '*Documents & Information/Council/performance information & management*'.

Summary of Key Performance Issues from Monitor 1

- 4 A number of key performance issues/actions were identified at the monitor session for Directors and Executive members to address before the next monitor in December. The key ones are:
 - Given the corporate importance of the CPA culture block, LCCS need to ensure we maintain (or improve on) a score of 2 for these indicators. It was acknowledged that our performance for some of the new government indicators is not yet known. However, proposed improvements such as the Library self issue machines and quality assessment work for sports facilities should be explored further, to ensure we yield possible benefits on 2006/07 performance for the 2007 CPA round.
 - City Strategy identified future capacity problems for the Planning Service. It may be necessary to consider prioritising developments (i.e. to deliver those that provide the greatest economic/employment opportunities first). It was also recognised that 'Key Sites' management is also closely linked to future budget pressure for the Council (i.e. capital receipts, etc).

- We need to manage any further changes to waste collection and recycling services effectively, ensuring adequate communication with the residents who may be affected.
- The forthcoming contractual change in adult homecare provision on the 4th December should be carefully planned to ensure that those customers affected experience a smooth transition.
- The Social Services budget overspend has been reduced significantly (now at £536K) but a significant element is still to be delivered. It was accepted that we may need to use the contingency budget to help fill the gap, but in the meantime, the Director of Resources needs to explore CPA implications for healthy contingencies under 'Use of Resources'.
- Easy@york project has gone very well so far with a number of well planned and successfully implemented changes. It's important however, that the forthcoming launch of the Customer Contact Centre is managed effectively and sensitively. Members want to understand exactly what customer will actually see or experience - in advance of it going live in November 2006.
- The ongoing Job Evaluation project is now entering a critical phase. This is a high-risk project, not just in terms of staff relations, but also from a future financial/budget perspective.
- The successful delivery of the organisational effectiveness programme (OEP) is crucial if the Council is to achieve a score of 2 on corporate assessment. Progress on the 4 organisational effectiveness priorities should form a regular item on future monitor sessions.
- Each CMT member has a key role to play in helping to respond to the recent job cuts in the city. All directorates can make a positive contribution, be it through benefits, education, housing, economic development or other services which might help improve employment and skills opportunities. An independent strategic review group is being set up with top representatives from key partner organisations from around the city. Their objective is to produce an overview of where we are going as a city in employment/economic terms. This issue is of such strategic importance for the city that it should form part of future performance monitor sessions.

Progress on Priorities

- 5 In June 2006 the Executive approved a Corporate Strategy, consisting of 13 priorities called improvement statements(IS), which provide direction and focus to the rest of the Council over the next 3 years. As well as addressing a 'gap' identified in the last CPA and other corporate reviews, the strategy was also intended as providing the focus for corporate performance monitoring.
- 6 A champion has been appointed to lead performance improvement and change for each of the 13 priorities. However, work to agree scopes and scorecards for these priorities will not be in place until the second performance monitor session in December. Therefore, for this first monitor, the focus will remain with York Pride and Safer City, which as the Executive confirmed in June, remain the Council's top priorities.
- 7 The majority of the existing performance measures for York Pride and Safer City reported in Annex 1 & 2 will still be monitored and reported in future, but under 2 of the new priorities led by the Director of Neighbourhood Services:

- IS3: Improved condition and appearance of the city streets, housing estates and publicly accessible places.
- IS4: Reduced impact of violent, aggressive and nuisance behaviour on people in York

Progress on York Pride

- 8 Indicators for the majority of performance areas of York Pride have demonstrated major improvement over the past 3 years. The scorecard in Annex 1 sets out the latest data for monitor 1. As with last year's session, performance data for two thirds of the indicators is survey based and is not available until monitor 2. This lack of in-year performance data will be addressed when a more comprehensive and balanced scorecard is developed for the new priority improvement statement.
- 9 There is however, some noticeable performance to mention:
- The % of new reports of abandoned cars investigated within 24 hours of notification has improved significantly at 99.34%. This is well in excess of the 2006/07 target of 95%. The most significant improvement is in relation to the % of abandoned cars removed within 24 hours (from point of being legally able to do so). Neighbourhood Services are currently achieving over 97% removal within the standard time, a big step up from last year's outturn figure of 89.9%.
 - The response time for removing graffiti has improved yet again. In the first quarter, the average response time for removing obscene graffiti was 1.16 days, well below the 2-day standard and the 2005/06 figure of 1.98 days. Similarly, the average time to remove non-obscene graffiti was down to 2.31 days. This compares extremely well against the 4-day standard and last year's performance of 4.94 days.
 - The average time taken to remove fly-tips is also performing well at 1.92 days. This is below the DEFRA standard of 2 days, but a slight decline in performance compared to last year's outturn of 1.53 days.

Progress on Safer City

- 10 Of the public perception measures included in Annex 2, all have consolidated or improved upon the performance recorded last year. Most notably, 55% of people surveyed believe York to be a safe city in which to live. This is extremely encouraging as a first in-year result, and compared with 46% for the same period last year. The 2006/07 target of 55% for this indicator represents a staging post for improvement, on course for the LPSA2 target of 68% for the year ending March 2008.
- 11 Also of note is that 78% of the people surveyed said that they would be willing to report crime and anti-social behaviour, an increase of 2% when compared with the 2006/7 outturn and an increase of 8% when compared with the same period last year.
- 12 This year's second Talkabout survey will measure public concern across a range of crime and anti social behaviour issues, and will be available for review at monitor session 2. These measures will be of special significance in measuring public confidence and perceptions of safety, as the results for all of these indicators improved significantly last year, some by as much as 50%.
- 13 The British Crime Survey comparator crime data shows that the majority of indicators against which Safer York Partnership's effectiveness is measured are on track to achieve their Home Office targets in 2007/8. Those of concern and projected to miss

their target by more than 20% (shaded red in Annex 2), are vehicle interference and woundings, both of which feature in York's LPSA2 agreement. The measurement of woundings however, is amalgamated within the LPSA2 agreement with the indicator showing common assault to provide an overall target for violent crime. As the latter is significantly below its target rate, this remains on track to achieve its stretch performance.

- 14 Similarly, though the rate of vehicle interference may be a cause for concern in itself, this particular indicator only represents 5% of the reward element for the overall stretch target to reduce vehicle crime. The remaining 95% is shared equally between the 'theft of' and 'theft from' a vehicle, including attempts. Of these it should be noted that theft from a vehicle remains comparatively high, and is forecast to marginally miss its target. Similarly, cycle theft has also seen a significant rise over the summer months.

Staff performance – corporate overview

- 15 Sickness absence levels across the council are continuing to fall, a reduction of 0.53 days per FTE over the equivalent period in 2005 (see Annex 3). The biggest decline has been seen in Neighbourhood Services, HASS, Chief Executives and Resources. City Strategy was the only directorate in which sickness absence levels rose compared to the same period last year. It should be noted however that notwithstanding the improvement in sickness absence levels, the council is still likely to be a bottom quartile performer even if the current improvement trend continues at the same rate for the remaining 8 months of the year.

Directorate	2005/06 Outturn	Staff sickness levels (Apr – July 05)	Staff sickness levels (Apr – July 2006)
Corporate Figure	12.48 days	4.19 days	3.66 days
Chief Executive	8.98 days	2.33 days	1.33 days
Neighbourhood Services	18.66 days	6.57 days	5.70 days
City Strategy	11.11 days	3.18 days	3.56 days
Resources	9.69 days	2.80 days	2.17 days
LCCS	9.01 days	2.96 days	2.78 days
HASS	19.82 days	7.04 days	6.27 days

- 16 The reduction in sickness absence levels has not seen a similar fall in stress levels within the council, the figure of 0.67 days per FTE lost due to stress in the first 4 months of 2006/2007 being almost identical to the equivalent period in 2005/2006 (0.68 days per FTE). Both Neighbourhood Services and City Strategy have seen a rise in stress levels, as have LCCS. Chief Executives and Resources have seen a significant reduction, however these are the two smallest directorates, so the improvement, particularly in Chief Executives, needs to be treated with some caution.
- 17 Staff Turnover levels are continuing to fall, although all directorates need to ensure that exit interviews are carried out to provide the qualitative information as to why individual employees are leaving. Should the current trend continue, it is likely that all directorates other than Resources will see a reduction on last year. The predicted year end outturn for 06/07 based on a continuation of the existing trend is 11.28% (a reduction of almost 2%). It is likely that this will increase slightly due to the timescales involved in school resignations, which will not be known until the next performance monitoring.

Directorate	2005/06 Outturn	Turnover levels for (Apr – July 2006)
Corporate Figure	13.09%	3.76%
Chief Executive	16.80%	2.65%
Neighbourhood Services	16.85%	5.56%
City Strategy	20.81%	5.98%
Resources	11.98%	5.03%
LCCS	11.21%	2.70%
HASS	13.27%	4.60%

Comprehensive Performance Assessment

- 18 The Audit Commission will publish the 2006 CPA ratings for upper tier councils in February 2007. Annex 2 provides an estimate of our position at February 2007. This indicates that while there may be some changes in scores for individual service blocks, we are likely to maintain a 3 star (good council) rating.
- 19 The Commission would normally publish the 2006 CPA rating in mid December 2006, but have postponed the announcements to allow nationally comparable customer satisfaction data from housing, environment, transport and planning services to be included. This data for York should be available to us by Monitor 2, just before Christmas.
- 20 In the 2006 refresh, we expect the Environment block score to rise from 2 to 3. This is due to continuing high performance across the block, but specifically due to the rise in performance on planning applications (BV109) in the year to June 2006, which takes us out of standards authority status. This removes a block, and permits the Environment block to rise above 2.
- 21 It is possible that the Housing block could fall from 3 to 2 in 2006. Due to the calculation method, the block score will depend on the customer satisfaction results (BV74 and BV75) from the postal survey being conducted this Autumn. The performance indicators have come under additional pressure for 2006 because the strong Housing Management inspection score from 2002 has been timed out. Of the 18 indicators where we know the 05/06 outturn, 8 have improved and only 2 have fallen back.
- 22 On the basis of the information we have at present, the other blocks are likely to remain with the same score as before. This represents a strong position compared to the other authorities within the 3 star band.
- 23 The corporate rating of 3 will remain in place until after the next corporate inspection and joint area review. This inspection is timetabled for 2007/08, and we expect the Commission to finalise the dates of the inspection by early October. Members have previously been informed that we expect this inspection to result in the corporate rating dropping from 3 to 2. This puts additional pressure on the service blocks to do well to maintain the council's 3 star rating in the 2007 refresh exercise (December 2007).
- 24 Analysis of our performance against the Commission's draft proposed Culture block for 2007 suggests that there is a small but real risk of the Culture block dropping from 2 to 1 in 2007 (based on a set of 23 2006/07 performance indicators). A corporate inspection score of 2 combined with a Culture score of 1 would drop the council's overall rating from 3 stars to 1 star. CMT have discussed this potential and will be taking forward

remedial action where appropriate in order to ensure that the Culture block remains at 2 in 2007.

Local Public Service Agreement (LPSA2)

- 25 We are now part way through receiving performance reward grant for LPSA1 with the 2006/07 payment expected towards the end of the financial year.

2005/06 reward grant	£919,119
2006/07 reward grant	£1,122,742
Total	£2,041,861

- 26 As previously reported we experienced significant delays in reaching mutually agreed targets and signing by Government for LPSA2. However the pump priming grant was received at the end of July allowing allocation and distribution of this grant and additional Venture Funding according to the process agreed at Executive 27th June 2006.
- 27 Whilst there are exceptions e.g. the crime data (see the Safer York scorecard), the nature of most of the LPSA2 targets means that it is either impractical or not possible to monitor supporting data on anything other than an annual basis. LPSA1 was similar in this respect. It has already been noted by Executive that progress on LPSA2 targets will be reported through DMTs and EMAPs before being summarised for performance monitors. It is too soon to do this for LPSA2, especially given the delayed arrival of the pump-priming grant but should be included in the year-end review of performance.

Customer First Statistics

- 28 The majority of our customer first results for April to July show fairly high levels of performance across the different standards (see Annex 5). There were however, a few exceptions, which are being addressed corporately, or dealt with by the directorate responsible:
- The overall corporate figure for telephone calls answered within 20 seconds has dropped to 89% (a 4.5% decline). This is a significant drop on a standard that we have performed at around 94%-96% for a number of years now. The Resources directorate showed the most significant decline (currently 82% against 91% last year). Conversely, Neighbourhood Services improved by 5% (currently 85% against 80% last year)
 - The Council is currently responding to 96% of the letters it receives within 10 working days. This is a significant improvement on performance 2 years ago, which stood at just 79%.
 - The Stage 2 complaints dealt with within 10 days has improved significantly (currently at 90%). if this can be maintained we will achieve a rise of 14% on last year's performance). This does however represent just 20 letters within the first 4-month period. Stage 3 complaints dealt with within 10 days show a decline on previous achieved standards (currently performing at 29%), but this figure is skewed by very low numbers (i.e. just 4 letters received by HASS that failed to hit the 10-day standard).

Financial performance - corporate overview

- 29 This monitor report has been prepared on the basis of the new reporting structure for the Council, and includes, for example, the transfer of services to reflect the responsibilities of Neighbourhood Services. This is in line with the reports that have been made to the EMAP meetings.
- 30 The Council's spend has been extremely closely monitored throughout the summer and expenditure pressures of up to £3m were identified. The Council's Management Team (CMT) have been meeting regularly to review the position and identify action that can be taken to contain the pressures. The first round of monitoring reports included the effects of action that were identified in the early part of the summer. Paragraphs 45 to 49 set out both the action taken and proposed.
- 31 Table 1 is a summary of the information presented to the individual EMAPs. It shows that if no action had been taken the Council would have been heading for an overspend of £2,387k. However, after applying the early action discussed and agreed by CMT there is still a projected overspend of £604k (0.60% of the net revenue budget, 0.24% of gross expenditure budget) on the non Dedicated Schools Grant (DSG) functions.
- 32 There is an underspend of £486k on the DSG functions, however, under the terms and conditions of the DSG any in-year underspend can only either be allocated to schools at the year-end or carried forward and added to the following financial year's DSG. The underspend is therefore not available to be used for other General Fund purposes.
- 33 The overspend on general fund services includes four principle elements:
- increased service expenditure pressures (either increased expenditure or reduced income) +£5,315k;
 - reduced service costs (either reduced expenditure or increased income) -£2,866k;
 - variations in central budgets controlled by the Executive -£62k
 - with a further -£1,783k from action proposed by Directors and agreed at the EMAPs.
- 34 Of the reduced service costs and action agreed at the EMAPs a proportion comes from underspendings on budgets where the spend will not occur until 2007/08 (e.g. on the FMS replacement project , and a request will be made to carry these budgets forward at the end of the financial year.
- 35 While the EMAP reports were being prepared it became apparent that there were large underlying budgetary pressures in several departments and the Council's Management Team (CMT) have met twice to discuss the position and to look for ways of keeping the overall expenditure within the set budget. Further information on these proposals are set out in paragraphs 45 to 49.
- 36 The trading activity of Neighbourhood Services are reporting a small trading loss on its operational activities, but expect to recover this before the year-end. The HRA out-turn working balance is expected to be £4,813k, an improvement of £245k.
- 37 The level of total reserves reported at Annex 13 is currently projected at £5,180k. Any overspend will reduce the overall level of reserves. The minimum level recommended by the CPA is £4.95m.

38 In addition the report also provides:

- An update on the achievements of growth items and efficiency savings incorporated into the 2006/07 budget.
- Requests for virements and supplementary estimates.

The General Fund

39 The General Fund net expenditure budget for 2006/07 was originally set at £99,058k, (£97,769k after the use of balances and reserves). Members have agreed various changes, utilising reserves, which have increased the net expenditure budget to £100,295k, and the details are shown at Annex 6.

40 A comprehensive breakdown of the projected position on the General Fund is shown in Table 1. Key parts of this are explained in paragraphs 70 to 89 and more detailed information is available in individual EMAP reports. An analysis of the key items which comprise current under and overspends for the Treasury Management activity is shown at Annex 7 and those for central services are in Annex 8.

41 Some of the underspending areas identified in the EMAP reports are delays in projects or deferral of expenditure, and a request will be made to carry these resources forward into the next financial year. The reported position is therefore distorted by these amounts.

42 There are significant developmental issues in the coming months that may have an affect of the provision and cost of adult social services. These were set out in the EMAP report and include:

- the financial recovery plan for Selby and York Primary Care Trust;
- uncertainty about the future structure of the new North Yorkshire and York Primary Care Trust which is due to come into being from 1 October;
- formal notice has been received from North Yorkshire County Council that they wish to withdraw from the partnership arrangements for Learning Disabilities from 1 April 2007;
- and the request to amend the existing partnership agreement with Selby and York PCT.

The EMAP will be kept up-to-date on all these issues.

43 Full details of the causes of the service variations were outlined in the individual EMAP reports and the overall financial position is summarised in Table 1.

44 As can be seen from Table 1 the increased spending pressures in service areas amount to £5,315k, with a further £791k on centrally controlled budgets. CMT were made aware at an early part of the year that there were increasing service cost pressures which could not be contained within existing resources and have been meeting regularly during the summer to consider options to manage the position.

Table 1 - Summary of Budgets and Variations

	Currently Approved Budget			Variances					Projected Out-turn £000
	Gross Exp.	Income	Net Budget	Over-spends Identified	Under-spends Identified	Action Agreed at EMAP	Out-turn to Net Budget		
	£000	£000	£000	£000	£000	£000	£000	%	
Service Area									
Children's Services (non DSG)	43,440	(18,842)	24,598	+699	-147	-593	-41	0.2	24,557
Leisure and Culture	13,581	(4,282)	9,299	+477	-142	-139	+196	2.1	9,495
Economic Development	5,488	(3,645)	1,843	+20	-20	-	-	-	1,843
City Strategy	31,975	(19,399)	12,576	+397	-460	-	-63	0.5	12,513
Neighbourhood Services	19,130	(5,119)	14,011	+258	-235	-	+23	0.2	14,034
Chief Executive's Department	9,305	(3,924)	5,381	+319	-352	-	-33	0.6	5,348
Resources	59,074	(55,153)	3,921	+445	-512	-	-67	1.7	3,854
Housing General Fund	12,337	(11,125)	1,212	+102	-102	-	-	-	1,212
Adult Social Services	55,034	(23,300)	31,734	+2,598	-896	-1,051	+651	2.1	32,385
Total of Service Areas	249,364	(144,789)	104,575	+5,315	-2,866	-1,783	+666	0.6	105,241
Centrally Held Budgets									
Asset Management	(14,611)	-	(14,611)	-	-	-	-	-	(14,611)
Treasury Management	11,170	(6,142)	5,028	+553	-636	-	-83	1.7	4,898
Other Central Budgets	556	-	556	+238	-126	-	+112	20.1	556
General Contingency ¹	800	-	800	-	-91	-	-91	11.4	788
Non DSG General Fund Total	247,279	(150,931)	96,348	+6,106	-3,719	-1,783	+604	0.6	96,872
Children's Services (DSG)	97,385	(97,385)	-	+134	-718	+98	-486	####	(486)
General Fund Total	344,664	(248,316)	96,348	+6,240	-4,437	-1,685	+118	0.1	96,386

Note 1 - This is the net figure on Annex 12 plus the £79k for Leisure & Culture which is included in the overspends above

Outcome of CMT meetings

- 45 CMT were presented with on-going cost and demographic pressures that the Council could be facing in excess of £2m, including £1.7m on children's and adult social services. Proposals were presented by the Director of Children's Services and the Director of Housing and Adult Social Services on further management action that could be considered at a strategic level. CMT then considered other options to contain the position including:
- applying for resources to be released from the contingency fund for increased costs on redundancy and retirement costs (£100k) and to compensate for the loss of safeguarding children grant (£79k) - supported
 - request the Director of Resources to examine earmarked reserves and related areas in order to identify potential one-off funds which could be made available to provide one-off budget support - supported
 - consider how to manage the residual balance on the contingency fund, one-off funding and additional savings against the budget pressures that the council faces and as part of this to address whether to:
 - review and apply one-off funds such as reserves, commutation payments, possible Yorwaste additional dividends and apply rate rebates to revenue rather than the general fund
 - set a second round of saving to be achieved by all departments within 2006/07, and
 - introduce further cross cutting constraints on expenditure on a variety of areas of expenditure such as staff, equipment, projects, etc.
- 46 Where action was agreed at an early stage by the CMT details were included within the EMAP reports for approval by Members, and are shown on Table 1 under the heading 'Action Agreed at EMAP'. Further actions have also been identified that need to be considered by the Executive and authorised.
- 47 In accordance with the agreement of CMT all Directors have looked at potential areas where further budgetary savings could be made in this financial year and these are set out in detail in Annex 9, together with the items already approved by EMAPs. Both are summarised in Table 2 below.

Table 2 - Details of CMT Recommendations

	Net Service Under-spends £(000)	Action Agreed At EMAP £(000)	Further Action Proposed (Annex 9) £(000)	Total Action £(000)
Children's Services (non DSG) *	-41	-593	-	-634
Leisure and Culture *	+41	-139	-	-98
Economic Development	-	-	-	-
City Strategy	-63	-	-150	-213
Neighbourhood Services	-	-	-40	-40
Chief Executive's Department	-33	-	-27	-60
Resources	-67	-	-58	-125
Housing General Fund	-	-	-	-
Adult Social Services	-	-1,051	-115	-1,166
Treasury Management	-	-	-47	-47
TOTAL	-163	-1,783	-437	-2,383

* EMAP approved the transfer of £41k from Children's Services to Leisure and Culture

- 48 As can be seen from Table 2 above a further £437k of savings have been proposed by Directors. This sum is £167k less than the sum needed to keep the overall non-DSG general fund budget in balance (£604k) as set out in Table 1. It is proposed that the position be continually monitored prior to any releases being agreed from the contingency fund.
- 49 The Council's retained Section 106 funds include £59k of Leisure developers contributions where the interest earned is transferred to revenue in the year. CMT have proposed that these be transferred to the General Fund Reserve as a commuted sum. However, there would need to be a compensating budget adjustment of £3k for the interest between the Leisure and Culture and the Treasury Management budgets.

Progress on Growth Items and Budget/Efficiency Savings

- 50 The 2006/07 budget included £4,363k for expenditure on growth items and £7,144k of budget/efficiency savings and with very few exceptions they are all being achieved, and an update position was discussed at CMT in June. Where problems are being encountered these were highlighted in relevant EMAP reports.
- 51 The variations reported on growth items are set out in Annex 10 and include:
- City Strategy - three of the growth bids are expected to vary from the budget provided: the £300k for parking income is not required due to the closure of the Hungate temporary car park and external operators increasing their charges; the £500k planning inquiry budget is likely to be £100k underspent due to lower than expected legal fees; and the £50k for reduced land charges income is likely to be £25k short, but at the moment no call has been made on the contingency.
 - Adult Social Services - the growth schemes all are on schedule except for Windsor House where there will be a slippage of £49k due to delays in re-providing Windsor House as an EMI complex.
- 52 The variations reported on budget/efficiency savings items are set out in Annex 11 and include:
- Children's Services - additional income of £10k from a new ground maintenance monitoring service for schools will not be achieved as it has not been implemented.
 - Leisure and Culture - additional income generation of £10k at the library service is unlikely to be achieved.
 - City Strategy - three of the savings proposals are not producing the reduction anticipated: £35k in the City Development section has left the team under-resourced to deal with planning advice at Terry's and British Sugar as well as progress at Hungate, and so temporary staff have been recruited to help; the change in bus information service has cost more than £12k for 2006/07 only; and the saving of £83k on consumption on street lighting energy has more than offset by subsequent price rises.
 - Chief Executive - the proposal to introduce a new publication to contain council vacancies has not yet been introduced and a report will be taken to a future EMAP.
 - Neighbourhood Services - where there has been a delay in implementation, there has been a corresponding saving allowing the service to remain on target.

- Adult Social Services - the saving of £65k from re-tendering community support has slipped the remaining savings are on target.
- Corporate Services - the saving on the cost of staff park and ride passes is not expected to be fully achieved this year, and the Management Challenge of £100k has been rolled-up into the re-balancing exercise undertaken.
- Housing Revenue Account - all savings are on target except for the £20k saving expected from the partnering agreement which are being closely monitored to ensure that the savings can be delivered by the end of the year.

Centrally Held Budgets

53 These are budgets where the reporting responsibility has been reserved to the full Executive, and so any movement on them must be considered as part of this report.

Asset Management Revenue Account

54 This budget represents income which is received as purely internal transactions for asset rentals. It is an accounting convention which the Council is obliged to use. It is not expected to over or underspend.

Treasury Management

55 The Capital and Treasury Management part of Strategic Finance are currently predicting that treasury management will produce a surplus (underspend) of £83k. This is an improvement on the initial position expected following the capital out-turn position, where capital receipts were not at the levels budgeted for. The decision to delay borrowing has also contributed to the improved position. Annex 7 shows the key variances that contribute to this surplus.

56 It is particularly important to note the adverse affect on the revenue account of the delay in attaining the budgeted capital receipts. These are highlighted in the accompanying report on capital monitoring.

57 The projections are based on the best advice, but money markets are volatile and cash balances change rapidly so these predictions should be treated with caution. Each 0.25% change in interest rates will mean a change in the return on investments of approximately £50k per annum.

Other Central Budgets

58 These budgets cover a variety of funding held centrally and details are shown at Annex 8. The majority of the budgets are for contractual purposes and will be fully required.

59 The projection on redundancies and pensions currently shows an overspend of £13k. This has been prepared using information on all known redundancy situations for the remainder of the year, most of which have arisen from 2006/07 budget savings and changing rolls within schools. Table 3 on the next page gives the details.

Table 3 - Details of Redundancies and Early Retirement Costs

	£(000)	£(000)
Annual charges for prior year retirements		632
Local Government Pension Scheme		
Redundancy payments	45	
Redundancy retirements	36	
"85-year rule" retirements	115	196
Teachers' Pension Scheme		
Redundancy payments	282	
Redundancy retirements	62	
"85-year rule" retirements	25	369
Administration charge		29
TOTAL		1,226

- 60 The Chief Executive's restructure, which was agreed at Urgency Committee on 18 August 2006, may result in further redundancies, subject to redeployment opportunities across the Council. Discussions with the affected staff are still underway and so any actual costs are not yet known. However, there could potentially be a further charge to this budget of around £110k and a supplementary estimate of £100k is being requested (see paragraph 45).
- 61 Members were promised an update in all monitoring reports of the value of NNDR rate refunds following successful appeals. The refunds received to date, after deducting all fees due to the Council's agents and the fee expected to be paid to property services, is £200k. No further receipts have been assumed in the year.

General Contingency and Supplementary Estimate Requests

- 62 Contingency funding amounting to £800k was set aside in the budget process. As detailed in Annex 12 there have been no supplementary estimates approved to date. As set out in paragraph 45 CMT have recommended that supplementary requests totalling £179k be sought. In considering these requests due regard must be given to In other areas of pressure, which were identified during the budget process as potentially needing funding from the contingency and where there is still a possibility that additional funding may be needed. CMT have reconsidered all these areas and Annex 12 includes the likely future requirements for additional funding in these areas. The annex shows that if all of these potential demands do materialise the amount now projected to be called down from the contingency fund will total £788k, which will lead to an underspend of £12k, although due to the volatility of the position on emergency out of authority placements this may change later in the financial year.
- 63 In addition to the above items there are potential cost implications of the latest fuel price increase, both for heating and for vehicles. It is not yet known what the impact of this is likely to be, but it is hoped that any cost pressures can be contained within existing resources and there will not be a call on the contingency.

Virements Requested

- 64 The Council's financial regulations require that any virements between service plan heads of more than £250k are agreed by the Executive as part of the budget monitoring report. There are no requests from individual EMAPs but there is a corporate need to re-align asset rental budgets and the Asset Management Revenue Account. The Chartered Institute of Public Finance and Accountants (CIPFA) have issued a new Code

of Practice for 2006/07 which has changed the rules on capital for the use of capital assets. Formerly an asset rental had to be charged comprising two elements - a depreciation charge and a charge for notional interest. Both of these elements are reversed out of the accounts through the AMRA account. For 2006/07 the requirement to charge the notional interest has been removed which necessitates budget transfers. These adjustments are shown in Table 4.

Table 4 - Virements for Asset Rentals Changes

	Virement £(000)
Children's Services (non DSG)	-4,559
Leisure and Culture	-1,476
Economic Development	-225
City Strategy	-2,499
Neighbourhood Services	-152
Chief Executive's Department	-
Resources	-1,118
Housing General Fund	-54
Adult Social Services	-708
AMRA	+10,591
Treasury Management	-
TOTAL	-

- 65 As recommended by CMT a virement of £3k is requested between Treasury Management and Leisure and Culture to allow for the commuted sums to be transferred to the General Fund Reserve (see also paragraph 49).
- 66 In the light of the action being taken by CMT the Director of Resources is proposing that for 2006/07 there is a re-configuration of the budgets to reflect all the adjustments/additional savings proposed to maintain the overall position in balance. This re-configuration is to be a one-off adjustment, and the transfers will be reversed for future financial years. This will leave a gap of £167k (see paragraph 48) and it is proposed that this is initially set against the remaining contingency sum, as some of the residual items may not be needed. If the contingency comes under pressure later in the year then Members could consider approving a one-off call on reserves.

67 The virements necessity to action the above proposal are set out in Table 5.

Table 5 - Non-Recurring Virements to Realign the 2006/07 Budgets

	Virement £(000)
Children's Services (non DSG) (-£41k transfer to L&C already approved)	-
Leisure and Culture (after £41k from Children's Services and release from contingency)	+76
Economic Development	-
City Strategy	-213
Neighbourhood Services	-17
Chief Executive's Department	-60
Resources	-125
Housing General Fund	-
Adult Social Services	+536
AMRA	-
Treasury Management	-130
Other Central Budgets	+112
General Contingency (comprising the projected £12k underspend in the year together with the £167k to balance)	-179
TOTAL	-

Reserves and Balances

68 Annex 13 shows the position on the General Fund reserve which, it is anticipated, will fall from £5,347k at the start of the financial year to £3,269k by the end of the current financial year assuming that the commutation transfer (paragraph 49) is approved. Once other reserves are taken into account the level of reserves for CPA purposes is forecast to stand at £5,180k. However, it should be noted that while this is above the expected CPA target of £4,950k there is very little spare capacity.

69 Members are reminded that balances are not normally used to fund recurring expenditure and any further large approvals against these balances will reduce the scope for Members to utilise reserves to fund current year overspends or new investment in future years. Using balances to fund recurring expenditure creates funding problems in future years, as the resources will no longer exist, but the expenditure will.

Key Performance Issues from Directorates

70 Directorates produced a balanced scorecard showing headlines from three areas of their service performance:

- progress on delivering the key actions for the 13 improvement statements(IS) set out in the 2006-09 corporate strategy, or any other high profile actions the directorate is delivering.
- headlines on key performance indicators that are corporately significant (i.e. they support corporate priorities, LPSA, CPA, etc).
- headlines on resources management (i.e. budget and staff management)

71 The full scorecards can be found on the intranet, but here are the key points from each.

Learning Culture & Children's

72 Service improvement and key actions:

- Permanent pupil exclusions in primary and secondary schools are declining compared to the same period last year. The levels of exclusion however, are far higher than those York had 3 or 4 year's ago. This is partly down to changes in rules that have made it easier for schools to exclude pupils. To tackle this problem, more out of school provision is being provided to help eventually bring the excluded pupils back into mainstream education. Early intervention and targeted support is now a key priority for the directorate to ensure children and young people do not become disengaged and potentially contribute towards anti-social behaviour in the city.
- There is a small risk of the culture block of Comprehensive Performance Assessment (CPA) dropping to a 1 from the current rating of 2 in 2007. This is due to the Audit Commission toughening the performance thresholds for some of the existing indicators and the introduction of new PIs. If this did happen, the Council's overall CPA star rating would drop to 0 (poor) or 1(weak).
- There has been a delay in completing the specification for new city centre 'One Stop Shop', previously planned for October 2006. The centre is now scheduled to open in January 2007.

73 Resource management:

- Staff sickness absence levels in LCCS continue to decline (2.78 days per FTE, compared to 2.96 days in the same period the year before). Sickness levels may change however, in light of the recent restructure which incorporates Children's Services into the directorate.
- There are two main areas where there are currently significant variations, but all variations were reported to the EMAP. On Children and Families there is a projected overspend of £243k, including increased expenditure on court costs (+£97k), increased expenditure on fostering (+£303k) due to a 10% increase in the number of fostered children together with an increase in Independent Fostering Agency fees. The projections also included that there would be an increase in the contribution available from combined Children's Services placement and fostering budget of - £237k, provided that there are no additional emergency out of city placements for the remainder of the financial year. Also to offset some of the significant overspends within the service the new Children's Services grant is being directed to the general fund budgets rather than DSG funded budget areas.
- The current schools and libraries broadband contract expires at the end of 2007/08. The original financing of the contract to 31 March 2008 assumed no DfES Standards Fund grant in 2006/07 or 2007/08. For 2006/07 the DfES have now unexpectedly made a grant allocation. Ideally this additional grant should be used to pump prime any new contract entered into from April 2008, but in light of the budget pressures affecting the general fund part of the portfolio budget a one-off saving of £164k could be made. As part of the project relates to the Library Service EMAP recommended that £41k of this saving is transferred to the Leisure and Culture Portfolio.
- For Leisure and Culture the individual service plan financial monitoring sheets presented to the EMAP showed that a number of services are projecting overspends for 2006/07. For both Libraries & Heritage (+£39k) and Parks & Open Spaces (+£43k) the service managers have proposed action that should bring the service budgets back into line by the end of the financial year. However, for Sports & Active Leisure the scale of the problem (+£196k), and the nature of the service, means that the service itself will not be able to contain the projected overspend. Clearly the fact

that the council has not yet been able to secure the receipt from the sale of the Barbican site, and the consequent delay in the planned capital investment in Edmund Wilson and Yearsley pools, has been a significant factor that has contributed to these overspends. This leaves the portfolio with a net projected overspend for 2006/07 of £196k (£90k recurring & £106k non-recurring). To help offset this the Executive Member considered a number of further service cuts:

- A further £30k reduction in parks maintenance expenditure on top of the £43k already required to bring the Parks & Open Spaces budget back into line.
- A £10k cut in expenditure on Arts events and projects.
- A £20k saving from holding a number of posts within the leisure team vacant. This will impact on the team's ability to deliver on all of its objectives this year.
- A £41k transfer of resources from the Children's Services portfolio because of additional grant received from the DfES to support the Schools and Libraries broadband service (subject to the agreement of the Executive Member for Children's Services).

Of these, the last one was recommended for approval and officers were requested to provide further information on the impact of implementing the remaining savings. Officers will continue to work to identify further savings to bridge the remaining £95k budget gap, including reviewing savings options that are being developed as part of the 2007/08 budget process to see if any could be implemented prior to the 1 April 2007. If this isn't sufficient the only alternative (excluding a call on corporate contingency) would be for a further one-off cut in the Library Bookstock budget in 2006/07.

City Strategy

74 Service improvement and key actions:

- Performance on the speed of determining planning applications continues to improve and is now well in excess of government standards targets. The number of major planning applications determined within 13 weeks is currently running at 92% (representing 12 out of 13 applications) - a considerable improvement since 2004/05 when it stood at 38.5%.
- The % of streetlights not working as planned (including vandalism) continues to increase, with 0.91% reported in quarter 1. Performance for this indicator has gradually worsened since 2002/03 when it stood at 0.57%.
- City Strategy is experiencing capacity issues regarding the delivery of major sites development around the city. Without additional planning & development resources to address this problem, there is concern that major business, economic and housing benefits will not be realised over the next few years. Pressure is also being placed on these resources through the developing regional agenda and strategies. City regions and Regional Spatial Strategies are now high on the national agenda, with a government white paper expected in the Autumn.

75 Resource management:

- Sickness absence levels have increased slightly in the directorate (3.56 days per FTE compared to 3.18 days in the same period last year). However, this is partly due to tightening the reporting and management arrangements for sickness absence.
- Staff turnover in City Strategy have reduced significantly (5.98% for the first 4 months of 2006/07, compared to an annual outturn of nearly 21% in 2005/06).

- The provisional outturn position for the portfolio shows an underspend of £63k for the financial year. The main reason for the underspend is improved parking income offset by overspends within street lighting and shortfall on planning income. This projected underspend is a significant improvement to the corresponding monitoring report in 2005/06 when a projected overspend of £360k was forecast.
- There remain a number of variable budgets within the directorate primarily relating to income (parking and planning) as well as Concessionary Fares, Winter Maintenance and the ongoing public inquiries. It is recommended therefore that no further expenditure commitments are made at this time. EMAP were reminded that £50k was set aside in the general contingency to fund any potential shortfall on Land Charges Income. However, the decision was that no request was made to the Executive to release these funds given the overall portfolio position. This situation will be reviewed at Monitor 2.

Neighbourhood Services

76 Service improvement and key actions:

- Waste recycling levels have continued to increase significantly in the first part of this year. From the period April to August 4600 tonnes of waste was recycled, compared to just 3100 tonnes in the same period last year. As a result, the % of total waste arisings that get recycled is expected to increase again this year, whilst the amount of waste that gets landfilled is expected decrease even further.
- The number of missed bin collections per 1,000 population is predicted to miss this year's target of '66'. This was partly expected now that new items have been introduced into the recycling schedule (i.e. residents have been reporting side waste as missed bins). Based on current prediction, we expect to achieve a figure of '80' for the year. Members should note that this outturn would still be an improvement on 2005/06 outturn of '97.5'.
- Similarly, the number of missed bins put right by the next day is also predicted to improve to 70% (61% in 2005/06), but this will fall well short of the target of 95%.
- The weekend night-time noise patrol service, which was introduced in April 2006, has received 400 calls in the first 4 months – nearly double the amount expected. Existing staff are having to supplement the service to accommodate the high demand. This has budget implication and cannot be sustained over the long-term. Neighbourhood Services are reviewing the situation to try and find a solution.

77 Resource management:

- Staff sickness absence has reduced slightly for the first 4 months of 2006/07 (5.7 days per FTE compared to 6.57 days for the same period last year). This level of sickness is still very high compared to other directorates and the national average. Long-term sickness in particular has fallen sharply (3.07 days per FTE compared to 4.29 days for the same time last year). Members however, should note that the recording and reporting of sickness data is currently being reviewed in this directorate and early indications show that some of the data previously used for Commercial Services may be inaccurate and lower than previously reported.

General Fund Services

- For Waste Services, the current projections are that there will be an overspend of £23k (0.5% of the net expenditure budget). There are several minor variations increasing costs, the largest being in relation to increased security at all sites. Waste processing costs are slightly below that projected which includes a lower cost of land

fill offset by increased costs for treating hazardous waste that was previously land filled.

- The current projections for the public toilet cleaning contract is that there will be an overspend of £55k (1.2% of net expenditure budget). This has primarily occurred due to the letting of the new toilet cleansing contract, of which £35k is recurring.

Trading Activity

- Commercial waste and the University Waste Management Contract are both performing well. There is currently expenditure pressures as a result of the high fuel prices. Over the last two years fuel prices have risen by 28% adding over £100k costs to the waste collection service.
- The prime business of the Building Cleaning service is school cleaning, council office cleaning and empty property (void) cleaning for housing. Work is on-going with schools to establish individual service level agreements to ensure the service matches the resources available. This work should be completed this year and bring the school cleaning section into a break-even position. Void cleaning is performing well and there are no financial pressures in the section. The office cleaning section is facing financial pressure, and work with client officers will start shortly.

Housing and Adult Social Services

78 Service improvement and key actions:

- Waiting times for care assessments is currently performing within the government's 'acceptable' thresholds. However, performance is expected to decline in quarters 2 & 3 due to the introduction of rationing arrangements, which are needed to help reduce Social Services expenditure.
- The average time taken to re-let council houses has improved significantly in the first 4 months of 2006/07 (current performance is 26.25 days compared to the 32.27 days outturn figure for 2005/06). Further improvement is expected before the end of the financial year, which should make a positive contribution to our CPA suite of housing indicators.
- Urgent housing repairs completed within the government's timescales have declined to 67.5% for April to July 06 (down nearly 5% from last year's outturn of 72%). This indicator however, now measures repairs defined under the 'right to repair' initiative, which has changed our performance levels. All other housing repairs show a marked improvement on the same period last year.
- The contract to replace the Social Care IT system has now been signed and a programme plan has been developed. However, implementation will not be completed until Spring 2008 and this may lead to delays in hitting some of our statutory requirements. It is likely though, that other authorities around the country will be experiencing similar problems.

79 Resource management:

- Staff sickness absence in Social Services has started to reduce (6.27 days per FTE for April – July, compared to 7.04 days in same period last year). These levels are still far too high and nearly 4-5 times that of other directorates. The costs of backfilling the absent staff is partly contributing towards the current Social Services overspend. Last year, long-term sickness was identified as a priority area that needed to be addressed and the first 4 months of 2006/07 have seen a major decrease (3.64 days per FTE, compared to 4.5 days in the same period last year).

HASS are currently working closely with the corporate HR team to help implement a more sustainable solution to the problem.

General Fund Services

- Within the Social Services area the EMAP report received information about the service and cost pressures facing the service. It also identified action that is being taken to minimise the cost impact. Two large items where there is a continued effect of the net overspend in 2005/06 were identified: the cost of community support in relation to the number of customers receiving intensive support in their own homes: for older people and those with physical disabilities (£1,331k) and for the cost of service provision for those with learning disabilities (£670k).
- This monitor shows that the Social Services department will have to continue to work hard to contain expenditure within the approved budget. This, together with the deficit within the Selby and York PCT has led to an urgent financial recovery plan being put into place. Given that the funding CYC has to spend on adult social services is the third lowest amongst unitary authorities this presents real problems in terms of the development of local services to meet new demands.
- For Housing General Fund services several small items of variations were identified, which are being dealt with within existing resources.

Housing Revenue Account (HRA)

- The current forecasted position on the HRA is a projection for the working balance to be £4,813k at 31 March 2007. This is a small improvement of £245k from the budget for the year.
- The variances reported to the EMAP included underspends resulting from additional interest income from higher balances brought forward, savings from not having to fund a shortfall in supporting people income, and additional rent income offset by net additional expenditure on repairs and maintenance due to increased demand.
- Members are reminded that it is illegal to budget for a deficit on the HRA and that the HRA is 'ring-fenced' so that any deficit cannot be made up by contributions from the general fund, nor can any surpluses be used to aid general fund services. Further, the District Auditor has highlighted that the HRA is vulnerable to changes in income and expenditure and without a surplus it is less able to meet unforeseen contingencies. He has recommended that the HRA be kept under review and that adequate cover against unforeseen contingencies is maintained.

Resources directorate

80 Service improvement and key actions:

- The % of Council Tax collected is currently 38.51% for the period April to July. This is higher than usual for this first part of the year and we expect to improve by nearly 1% on last year's figure of 96.1%. Not only is this a significant improvement for this indicator, but it also brings in much needed financial resource for the current year budget. The % of NNDR collected is also forecast to improve by over 1% for 2006/07.
- The speed of processing housing and Council Tax benefit claims has improved significantly, with the average currently running at 36 days, compared to last year's outturn of 40 days. This is a CPA indicator and will move us up to second quartile performance when compared to other unitary authorities.

- The number of council buildings open to the public with access for disabled people has risen to 84%, from 72% in 2005/06. This is an excellent achievement given the difficulty of adapting most of York's council buildings.
- The replacement of the Council's financial management system (FMS) will now not take place until 2007/08, due to the delays in appointing a project manager.

81 Resource management:

- As with last year, both short and long-term sickness absence levels continue decline across the directorate. Resources currently have the lowest levels of sickness across the council, as well as the second lowest staff turnover rate.
- Whilst the headline underspend figure of £67k (-0.1%) looks satisfactory, there are a number of issues that need to be drawn to Members attention. Included in the underspend is a sum of £87k from the FMS (Financial Management System) project that will need to be carried forward to 2007/08. This means that there is an underlying overspend within the Directorate of £20k. Furthermore the Corporate Management Team has requested the Resources Directorate to identify in year additional savings of £125k to help towards the Council's overall financial position in the current year. It is intended to offer £125k of the FMS project savings to assist the overall financial position. This would reduce Resources budgets by £125k this year and would lead to the need to identify further savings in order to create enough underspend to allow for the £87k carry forward referred to above to be funded.
- It should also be noted that some of the financial problems are ongoing such as the property rentals and the inability to find sufficient procurement savings. Longer term solutions that may include funding bids as part of the budget process are being examined.
- Resource Management Team are doing further work on the current budget situation, including work on recovery of housing benefits overpayments where we are having difficulty getting accurate projections, as part of planning and identifying savings options for next years budget. These will be reported in the next monitor.
- The headline variances as at 31st July are shown below
 - Better than anticipated performance on Housing Benefit subsidy. Overall the Council's position on Housing and Council Tax Benefit subsidy is improving. The two key issues are that the Council's homeless and planning policies are leading to additional costs falling on Housing Benefits as the Government only funds a small proportion of the costs of homeless people placed in higher cost rented accommodation. This type of accommodation is being used more and more as an alternative to bed and breakfast. On the positive side Local Authority errors are currently being managed within Government targets. If this is achieved then about £150k of additional subsidy will be earned and this is included within the projected figures in this report. If the target is not hit, and this is not something that is fully within the Council's control, then the outturn figures will be worse by the above amount, so the situation carries an element of risk. An improvement in the management of Local Authority errors could result in the receipt of approx. £150k of additional subsidy which is offset by higher costs of approx. £104k associated with additional homelessness support.
 - Delay in incurring expenditure on replacement Financial Management System, creating underspend of £319k. Main spending now due in April 2007. This underspend falls in Financial services (£87k), but the bulk of it is in IT&T (£232k).
 - Anticipated under-achievement of procurement savings of £130k is mostly due to the way in which the target has been set in previous years. Work this year has

demonstrated that there is a need to write down the target in future years to a more realistic level that properly reflects the scope for future savings on Corporate contracts and the capacity of the of the Corporate Procurement team to deliver a medium term savings programme in future years.

- There are several pressures on Property services' budgets. These comprise of overspends on rents and maintenance in Administrative Accommodation; shortfall in rent income; shortfall in income due from fire insurance premiums; and assessment costs not recoverable through the capital receipts protocol.
- Not included in the departmental totals is any variation on the easy@york programme.

Chief Executive's

82 Service improvement and key actions:

- The first draft of the Local Area Agreement (LAA) is on target for submission to the Government Office for Yorkshire & Humberside. This will be catalyst to help us improve and integrate planning and performance management with our partners.
- The directorate is playing a key role in driving forward the organisational Effectiveness Programme (OEP), which will help improve the way we manage our services and staff. The successful delivery of the OEP will help to improve our organisational culture and is crucial to deliver the required changes needed to achieve a good corporate assessment score under CPA.

83 Resource management:

- Staff turnover in the Chief Executive's department has dropped fairly sharply, at only 2.56% for the first 4 months of 2006/07. we expect to achieve or exceed the 12% target and significantly improve on the 16.8% turnover recorded in 2005/06.
- Sickness absence levels are now the lowest across the council, with just 1.33days per FTE for April – July 06. The final outturn for the year is expected to be below 8 days per FTE, 4.5 days per FTE below the corporate target of 12.5 days.
- £-139k arising from vacancies held within the department in advance of the Chief Executive's restructure including:

Deputy Chief Executive	£-123k
Performance Improvement	£-114k
Human Resources	£-25k
Scrutiny Services	£-45k

The total saving is net of £150k target saving agreed in the budget for the restructure.

- The budget included an assumed saving of £52k from using alternative media for staff advertising. This proposal has not been progressed thus the saving is not available;
- Anticipated shortfall on Print Unit Income £+26k;
- Additional expenditure on Electoral Support staffing £+23k.

Conclusions

Service Performance

- 84 Overall, performance across directorates is either performing well in comparison to other authorities, or is improving. In particular processing planning applications, waste recycling, council house re-let times and the key indicators for York Pride (i.e. graffiti, fly-tipping and abandoned car removal). The most significant improvement has occurred under Safer City, where a number crime incident statistics have improvement markedly, together with in-year citizen perception of crime and safety in the city.
- 85 There are a number of service delivery areas however, which either needed to be watched closely between now and monitor 2, or where corrective action needs to be taken to turn performance around before 31st March 2007. These include street light repair, pupil permanent exclusions, missed bin collection, staff sickness absence and some of the culture CPA indicators.

Financial Performance

- 86 Special monitoring exercises have been undertaken continually throughout the summer, identifying at an early stage that there was a potential expenditure pressure in excess of £3m. The principal areas of overspend were in Children's Services and Adult Social Services. Timely action has been taken both by these departments and across the Council to address the overspends and find funding for elements that cannot be dealt with within the departments.
- 87 If the current action taken by the Directors continues to be successful, then it is projected that the Council will overspend by £167k.
- 88 Any year-end overspend will need to be funded from reserves. The overspends need to continue to be fully monitored as any overspend results in reduced balances. The Medium Term Financial Forecast has already indicated that the next budget process will be extremely difficult. As much scope as possible will be needed to reduce the impact of service cuts and Council Tax increases.
- 89 There has been a lot of work undertaken within departments and the CMT to manage expenditure and bring budgets in on target. There are, however, some underlying pressures - notably on children's services and adult social services - where the overspends look set to continue. These will clearly need to be addressed as a high priority in future monitoring reports.

Consultation

- 90 CMT & Executive members have considered this report in a joint monitor session. The key actions and recommendations from that session are included.

Options

- 91 CMT have undertaken a large amount of work to contain expenditure and look for other savings that can be delivered to ensure that overall the Council does not overspend in the year. Members have the following options:
- approve all the actions proposed (which will still leave a net overspend of £167k);
 - approve all the actions proposed, taking the net overspend of £167k from the contingency sum;
 - approve all the actions proposed, taking the net overspend of £167k from the balances, which will leave the reserves level at £5,013k compared to the CPA level of £4,950k;

- ask CMT to look for further action that could deliver the remainder of the gap.

Analysis

- 92 All the analysis of service performance, progress on key actions and the financial position of the Council is included in the body of the report.

Corporate priorities

- 93 The proposals included in this report are designed to demonstrate progress on achieving the Council's corporate strategy, Council Plan and the priorities set out in these documents. It also provides evidence of the emerging co-operation between CMT and the Executive in working together to drive forward prioritised improvement and address issues of corporate concern.

Implications

- 94 The implications are:
- Financial - the financial implications are dealt with in the body of the report.
 - Human Resources - there are no specific human resource implications to this report, but it does contain important information on staff management and welfare.
 - Equalities - there are no equality implications to this report
 - Legal - there are no legal implications to this report
 - Crime and Disorder - there are no specific crime and disorder implications to this report, but it does provide the Executive with crucial performance information to inform future resource allocation.
 - Information Technology - there are no information technology implications to this report
 - Property - there are no property implications to this report
 - Other - there are no other implications to this report

Risk Management

- 95 The overall theme of this report supports strategic risk management across the Council. It provides Executive members with customised performance and budget information, based on high priority (or high-risk) areas of service delivery and performance. Any resource redirection or corporate attention will itself, be based on the concept of managing risk.
- 96 Key reporting mechanisms to Members on budget matters this financial year has been through the Revenue Outturn report for 2005/06, which went to the Executive on the 27th June and summarised information that already been reported via EMAPs. The Executive report clearly identified the potential future impact from on-going overspends in paragraph 9 "Members should be assured that some areas of recurring overspend have been addressed as part of the 2006/07 budget process, although there are others which will cause problems into 2006/07. Most notably work is on-going to identify and quantify the prime drivers for the overspends in Adult and Children's Social Services. Such work will assist services in developing appropriate mitigating actions but will also inform the development of the 2007/08 budget and the council's medium term financial strategy." The report went on to clarify this potential impact further firstly with a

breakdown of £355k of on-going pressures for Childrens Social Services; and in more general terms referred to a potential underlying overspend in 2006/07 on Adult Social Services and stated "If the underlying pressures are not addressed the scale of the impact in 2006/07 could once again be well over £1m. Work is on-going to quantify and address these issues."

- 97 The Finance Strategy Report which went to the Executive on the 11th July also reflected these pressures. As part of the medium term financial forecast an estimate was included of the potential need to address current service pressures for Adults and Childrens Social Services. In line with the estimates available at the time these values were recorded at £1,400k and £355k respectively. Between them these two lines represented approximately a quarter of the potential reprioritisation needs for the council in 2007/08 forecast.
- 98 The budget setting process always entails a degree of risk as managers attempt to assess known and uncertain future events. This year has demonstrated the difficulty of achieving this. In the same manner this report recommends an ambitious but achievable realignment of funding to deliver a balanced budget. As with any budget the key to mitigating risk is prompt monitoring and appropriate management control. As such updated figures and revised corrective actions will be monitored via Directorate Management Teams, Corporate Management Team and the second monitor reports in December.

Recommendations

99 The Executive is asked to:

1. Note the performance issues identified in this report.

Reason: So that corrective action for the performance issues can be addressed by directorate and EMAPs prior to the next monitor session in December

2. Consider the applications for supplementary estimate requests of £179k to be funded from the contingency fund, as set out in paragraph 62, and decide whether, or at what level, to grant approval.

Reason: Decisions on the level of supplementary estimates and the granting of them have to be made and approved by the Executive.

3. Approve the virements identified in paragraph 64, Table 4.

Reason: The Executive must approve virements of more than £250k.

4. Approve the virements identified in paragraph 65.

Reason: The virement request is within the budget areas where the Executive is the responsible body.

5. Approve the virements (on a non-recurring basis) that reduce the budgets for certain departments/portfolio areas and reallocate them to achieve a balanced budget as set out in paragraph 67, Table 5

Reason: The Executive approve virements of more than £250k

6. Instruct departments to continue to look for savings within their own budgets rather than request supplementary estimates for additional expenditure pressures.

Reason: To ensure that all practicable action is taken in departments prior to seeking additional funding from the Executive.

7. Endorse the action currently being taken by departments to manage the overspends identified.

Reason: So that the action being taken is supported by the Executive

Contact Details

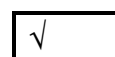
Authors:

Janet Lornie, Corporate Finance Manager
Peter Lowe, Improvements Officer

Chief Officers responsible for the report:

Peter Steed: Head of Finance
Ken Green: Head of Human Resources

Report Approved 27/09/06



Date *Ins*

Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all*

All



Background Working Papers

Reports to individual EMAP meetings

Annexes

Annex 1 – York Pride Scorecard for monitor 1

Annex 2 – Safer City Scorecard for monitor 1

Annex 3 – Corporate overview of staff performance for monitor 1

Annex 4 – CPA prediction for 2006

Annex 5 – Customer First statistics for monitor 1

Annex 6 - General Fund Net Expenditure Budget

Annex 7 - Variations on Treasury Management Activity

Annex 8 - Detail of Other Centrally Held Budgets

Annex 9 - Additional Savings Proposals Recommended for Approval by CMT in 2006/07

Annex 10 - Growth Schemes in 2006/07

Annex 11 - Savings Proposals in 2006/07

Annex 12 - Position on General Contingency

Annex 13 - Reserves Statement

Annex 14 - Venture Fund