
Executive Member for Corporate Services 11th September 2007 and Advisory Panel

Report of the Director of Resources

RESOURCES DIRECTORATE MONITOR 1 PERFORMANCE AND FINANCE MONITOR 1 - 2007/08

Summary

1. This report combines performance and financial information for the Directorate of Resources for Monitor 1, 2007/08. The performance element covers key and Council Plan indicators and projects, and the financial aspect deals with capital, revenue and Treasury Management variances.

Background

2. This is the first monitoring report for 2007/08 combining financial and service performance to be brought to Corporate Services EMAP. The year end report for 2006/07 showed considerable improvement in Directorate performance and financial management. Overall progress has been good, and targeted improvements have been set in place to ensure that this trend continues.

EXECUTIVE SUMMARY

Director's Overview

3. Resources as a department continues to make progress with most services showing continuous improvement and improving performance indicators. Recent staff survey results were good and were generally improving. Financial management and reporting is improving and a number of issues have been identified earlier in the year than usual enabling corrective action to be taken. Significant progress has been made on the key projects including the new Hungate offices, Easy@York, FMS replacement and Equal Pay/Job Evaluation. All of these projects are however slightly behind their planned timescales, with the Job Evaluation project running up to a year behind. These projects will continue to be a key focus of Resources activity for the next 18 months or more as they represent significant opportunities to bring transformational change improvements to the Council.
The early identification of underspends and slippage in some areas, particularly IT, will enable the department to redirect some resources to dealing with a variety of issues that need resolving. However the majority of

the underspend will need to be redirected to address overspends in other departments. This will form part of an overall report to the Executive on the 9th October.

In terms of problems faced by the department the continuing rise in long term sickness is a major issue. Several staff are either in hospital long term or are having hospital based treatments that prevent them being able to work. This is impacting on workloads and some budgets will need to be used to make temporary staffing arrangements.

Customer focused Performance Indicators continue to improve with continued significant improvements in letter and phone answering.

Financial Overview

4. The table below summarises the forecast outturn position for Resources by service plan area. This shows that the directorate is forecasting a net underspend of £505k compared to a budget of £4,655k. This is a forecast variance of 0.8% compared to the gross budget of £65,198k.

	Expenditure Budget £000	Income Budget £000	Net Budget £000	Projected Outturn £000	Variance £000	%
Director	509	58	451	198	-253	-49.7
Public Services	41,547	39,007	2,540	2,528	-12	-0.0
Financial Services	2,495	2,307	188	69	-119	-4.8
Audit & Risk Mgt	3,816	3,598	218	304	86	2.2
IT&T	5,686	5,870	-184	-506	-322	-5.7
EASY Project	2,242	937	1,305	1,305	0	0.0
Property Services	8,903	8,766	137	252	115	1.3
Resources	65,198	60,543	4,655	4,150	-505	-0.8

5. The headline underspend of £-505k is larger than that normally identified at this early stage of the year however it includes a thorough review of spending in IT and also reflects the decision to repay venture fund loans at the end of 2006/07 the annual repayments of which are included in the directorate budget. The details of the underspends are included in the paragraphs within the report and detailed in Annex 2 however the key headline variances by service plan are:

- a) Director – The projected underspend represents the £-251k that has been saved from repaying the venture fund balances outstanding regarding the SX3 project and procurement.
- b) Public Services – An underspend of £-12k is forecast primarily due to a reduced level of Housing Benefit local authority error overpayments resulting in additional grant.
- c) Financial Services – An underspend of £-119k due to project slippage in the resourcing of the replacement of FMS. This will be required to carry forward into 2008/09 where no budget is available for the project

- d) Audit and Risk Management – The service shows an anticipated overspend of £+86k. This is due to an assessment that there will be no YPO dividend paid this year leading to an income shortfall of £40k. Further service pressures are anticipated within the service area relating to Housing Benefit investigation work.
- e) IT&T – There is a projected underspend of £-322k. This forecast underspend consists of project slippage (£-262k) primarily relating to FMS and Social Care system, projects completing under budget (£-87k), projects cancelled (£-29k) offset by small overspends (£+6k). The underspends have allowed for consultancy services to assist with the procurement of revised network arrangements (£+50k).
- f) Property Services – A forecast overspend of £+115k due to overspends on administrative accommodation and reduced income from Asset and Property management. This overspend excludes a sum of £+200k that historically is charged to capital receipts in relation to fees in disposing assets.

Analysis

- 6. The analysis of performance and achievement for Monitor 1 2007/08 is broken down to cover the five elements of Resources and includes performance headlines, headline detail and relevant financial information.
- 7. The data covers the first quarter of the year, from 1st April to 30th June 2007, unless otherwise stipulated.

Customer First and Corporate indicators

Staffing indicators

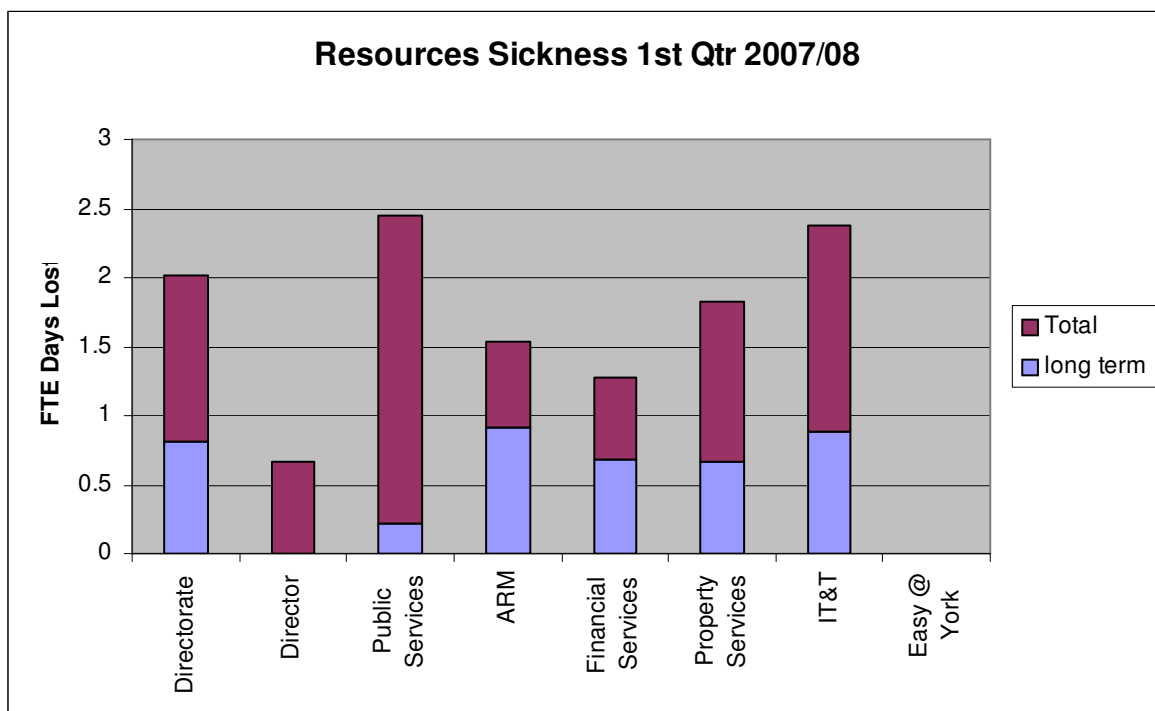
Appraisals:

- 8. Appraisals - Personal Development Reviews (PDRs) - are currently underway for 2007/08.
- 9. New paperwork has been produced by the central Human Resources (HR) team following the Leadership and Management (LAMS) training that is currently being carried out. All managers have been informed that new forms are available and have been directed to the HR Intranet site where they can be found.
- 10. At present 17 appraisals have been completed which, based on a total workforce of 369 officers, equates to 4.6%. At the end of 2006/07, 92% of all appraisals were completed against a revised target of 95%.

11. The original target for this indicator was 100%, but this is an unrealistic figure for a variety of reasons beyond the control of managers. Although some appraisals were simply not carried out, other factors included long-term sickness, refusal by the member of staff to participate, and staff absence due to maternity leave.

Staff sickness

12. Sickness is measured across the Council through BVPI 12 - the number of working days/ shifts lost to sickness absence.
13. During 2006/07 the time lost to sickness increased to 10.38 days, but was swelled by a far higher number of days lost to long term sickness at 4.41 days per FTE.
14. The current data shows that, although long term sickness is still bolstering the base figures, the Directorate as whole lost only 2.01 FTE days through sickness in the first quarter of 2007/08, with long term sickness contributing 0.81 FTE days.
15. Taken on a pro rata basis, this means that Resources will significantly improve on the outturn figure from 2006/07, and will also meet the corporate sickness target of 11.5 days lost per FTE, all of which shows a positive direction of travel.
16. The number of days lost through stress related illnesses is 67 FTE days. This equates to 0.39% days lost or 0.20 days lost per FTE.
17. The graph showing the number of FTE days lost to sickness, including long term sickness such as stress related illness, is as follows:



Equalities

18. This is the first time that equalities information has been included in this report.
19. The information is based on establishment figures as at 30th June 2007 and can be reported as follows:

Male/Female Split

Full time male	144	39.0%
Full time female	143	38.8%
Part time male	13	3.5%
Part time female	69	18.7%

Ethnicity

20. The table below shows the number of staff and a breakdown of ethnicity within the directorate.

	Total	Male	Female
No of Staff	369	157	212
White British	365 (98.92%)	155 (98.73%)	210 (99.06%)
Other Ethnic Groups	4 (1.08%)	2 (1.27%)	2 (0.94%)

Disabled Staff

21. Of the 369 staff employed within resources, 10 members of staff (2.71%) are recorded as being disabled.

Staff Survey

22. The staff survey was carried out earlier in the year, and although a more in-depth analysis of the results will appear in a future report, there were some noteworthy findings. The key headlines are:
 - 70% of the staff in Resources responded (up from 47% in 2005) – this was the highest response rate from any Directorate
 - 79% of the respondents in Resources describe the Council as a good employer - up from 64% in 2005 (Council average 76%)
 - Across the last two surveys, there has been a sharp increase in the proportion of respondents from Resources agreeing that they have the resources they

need to do their jobs. Almost three-quarters (73%) now agree which is 12% higher than the council average.

- Around 80% of all respondents agree that they are able to cope with the demands of their jobs. However, 52% of those in Resources need to work more than their contracted hours to get their work done – a similar pattern across the Council
- 81% of those from Resources have received a PDR in the last 12 months; 13% higher than the council average.

Customer First

Telephone calls

23. Figures for telephone calls for the first quarter are shown in the table below. This indicator is referenced as CG2 and the corporate target is to respond to 95% of calls within 20 seconds.

Department	Total Calls Answered	% Answered within 0-20
Audit & Risk Management	1,946	98.30%
Directors Office	332	95.18%
Property Services	8,896	95.29%
ITT	5,208	99.02%
Finance	7,712	98.81%
Public Services	46,225	96.73%
Sub total Resources	70,319	96.98%
York Customer Centre	85,191	84.80%
Resources Total (Incl YCC)	155,510	90.31%

24. All Departments are performing above target, with the exception of York Customer Centre, although it should be noted that there is an improving month on month trend.
25. During the first 3 months of this financial year the York Customer Centre (YCC) answered more than 85,000 calls with nearly 85% of these being answered within 20 seconds. This is below the current customer first target and shows a decline compared to previously reported figures for the switchboard only.
26. The new service within the YCC is different from the way we used to deliver the service. There are a number of reasons for this :

- a) The new telephony infrastructure allows more customer to contact the council i.e. they get through rather than receiving an engaged tone which is not currently reported for customer first purposes
 - b) Each call is generally taking longer than it used to because we are understanding what the issue is and trying to resolve that issue at that first point of contact, rather than always just passing the call onto someone else.
 - c) The customer therefore often remains on the telephone to hear the job / booking reference and obtain confirmation of when the work should take place
27. Based on these factors, it is not a valid comparator with previous performance or indeed with other call answering within the Directorate/ Council, as we are not comparing "like with like."
28. To ensure that in the future the YCC staff spend their time more efficiently we plan to introduce a voice recognition system, based on the successful internal one, which we estimate will remove 200,000 calls per year from being answered in the YCC and this should improve the speed of answering for those calls where the YCC can add value and make a positive difference for the customer.
29. Finally, the customer first measures will be reviewed during the year as part of the work within corporate customer priority.

Stage 2 and 3 complaints, visitors seen and letters answered:

30. Resources received two Stage 2 complaints during quarter 1 (ref CM10), and both were responded to on time. This means a 100% performance, and target has also been met. There were no Stage 3 complaints (Ref CM 11).
31. The Directorate had 12,844 visitors during quarter 1 (ref CG4), 12,673 of whom were seen on time, that is within 10 minutes. This represents 98.67% of people seen on time against a target of 95% and is an extremely high level of customer service, taking into account the volume of customers.
32. Of these visitors, a further 157 needed to see another member of staff (ref CG5), and 100% of this figure were dealt with within 10 minutes.
33. The Directorate received a total of 2,974 letters in quarter one of the year, of which 2,841 were responded to within deadline (ref CG3). This means 95.53% of all letters were answered on time, and also within the corporate target of 95%. This is a slight improvement on the outturn figure for 06/07, which was 94.85%
34. All these results show high or above target performance, and reflect the high level of customer service offered by the Directorate.

Public Services

Performance headlines

35. All the key Revenues and Benefits performance indicators show a much improved position on the 2006/07 actuals, with most outturn figures close to or exceeding target.

Performance indicators

36. The processing times for Housing and Council Tax Benefits are on target for new claims, taking on average 32 days in the period up to 30 June 2007. The processing of change of circumstances notifications is currently averaging 16 days, as against an annual target of 14 days. This performance is partly affected by a change in the way that bulk rent increases are counted in the performance indicator and when these are processed in March 2008 they will help reduce the average days. (See Annex 1 for more details).
37. The collection of Council Tax and Business Rates are both broadly on target, with the latter being nearly 1% ahead as at the end of the first quarter.
38. The final part of the integration of the Council Tax front-line service into the York Customer Centre went live on 30 July this year with the implementation of a suite of e-forms. These are intended to both improve our customer service and help streamline processes into back office IT systems.

Projects

39. There are a number of ongoing projects for this service area, all of which are documented in Annex 1.

Financial information

40. The current overall outturn projection for the Public Services division is a net underspend of £-12k. This underspend relates primarily to the Housing Benefits subsidy (£-41k), together with higher than budgeted income from court costs recovered (£-88k). This is offset by overspends in resourcing the Customer Contact Centre (£+44k) to manage integrating the new services. In addition a saving identified in 2007/08 in the management of revenues and benefits has not yet being actioned due to delays in transferring the work into the customer centre (£+50k). Further details are available in Annex 2.

Property Services

Performance Headlines

41. There have been a number of achievements within Property Services to date, the most notable of which are:
 - a) The completion of the capital scheme at Huntington School (£4.5m)

- b) Completion of the feasibility stage within the Administrative Accommodation Project
- c) Completion of the disposal of the historic Bonding Warehouse.
- d) Disposal of 3-4 Patrick Pool, 2 High Petergate, Lidgett Grove and Hebden Rise are all completed

Performance indicators

- 42. Property services are responsible for five major indicators, but three of them are annually reported. The remaining two can be reported as follows
- 43. BVPI 156, percentage of public buildings accessible to disabled people - target is 85% (from last years result of 81%) which means the need for 2 extra properties to become accessible. Projects are currently underway at Acomb Library, Guildhall and the Central Library which will achieve this target.
- 44. COLI 52, percentage of council floor space vacant for more than 12 months - Last year's figure was 0.15% of floorspace vacant for more than 12 months. In the last 3 months we have let 2 of these properties and 2 smaller property units have now been vacant for more than 12 months. As a result the figure has now reduced to 0.14%

Projects

- 45. The Administrative Accommodation Project reached the end of Stage 2 and a progress report was submitted to Executive in July 2007 summarising those objectives achieved, seeking approval to a revised and improved business case and highlighting those objectives planned for Stage 3.
- 46. The Partnering Team are progressing the delivery of the new York High School (£12.5m) on the Oaklands site. The project is in the detailed design stage.
- 47. Property Services are contributing to the delivery of a significant capital programme that includes Administrative Accommodation (Admin Accom) (£30m), Joseph Rowntree School (£24m), York High School (£12.5m), Pools provision (£6.5m), Peasholme (£1.4m), Danesgate (£1.8m), Acomb Library (£800k) and other miscellaneous projects.
- 48. Property Services are represented on the Joseph Rowntree School Board and are providing advice to the project team in preparing relevant procurement documentation. The new school is being delivered as a Pathfinder project through the Partnership for Schools (PfS) initiative and is valued at £28m.
- 49. Development Teams established for Oaklands, Lowfields, Manor and Yearsley Bridge. Development Teams include representation from Planning, Highways, Property, Environment, City Development, Archaeology, Conservation, Ecology, Housing, relevant service areas, service and property

managers and partner organisations as appropriate. The teams examine all of the needs, input, risks, constraints and guiding parameters that will ensure the delivery of successful projects without unwanted surprises and risks.

50. Assisting Housing Services with the redevelopment of the Discus bungalow sites. Property Services have prepared the development particulars, received the development bids and are evaluating those bids in August 2007.
51. Disposals such as the Strensall Youth Centre, Galmanhoe Lane, Parkside, Osbaldwick Lane (Derwent School), Clifton Family Centre site, Blake Street, North Carlton Farm, Acres Farm and the Monk Bar Garage are still ongoing.
52. Property database - The condition and access modules have been purchased for the Technology Forge database and populated with existing data. A Development plan for TF is being produced which will set out priorities and timescales for the development of this system to meet the authorities needs.

Financial information

53. At monitor 1 Property Services is anticipating a net overspend of £+115k.
54. There major pressures on Property Services' budgets include a projected overspend of £+54k on administrative accommodation rents and maintenance of assets. There is also reduced income from the Asset Property Management service due to a change in workload not reflecting the Service Level Agreements. Work will be ongoing to minimise the impact of these pressures over the coming months.
55. The Asset and Property Management trading account is based on an assumed level of fees for undertaking work selling assets and ensuring maximum value of capital receipts is gained. Historically this work is chargeable to the capital receipts however a change in the accounting statement of recommended practice issued in 2006/07 states this is no longer allowable and the costs must be charged to revenue. Property Services forecast to incur £+150k costs that historically would have been charged to capital receipts. There are also forecasted costs of £+50k in maintaining assets prior to sale including costs such as security, electricity, rates etc. In order to properly represent the trading account it is assumed that an equivalent income has been provided to Asset and Property Management from revenue reserves. Members are asked to recommend to Executive to agree to this accounting approach. This issue will be addressed as part of the budget for 2008/09.

IT&T

Performance Headlines

56. The department continues to provide a secure, robust, scalable and highly available ITT infrastructure including corporate and departmental systems. It is achieving the majority of its revised and agreed service level targets for 2007/08 with the exception of the very low volume high priority fault calls

received. 17 high priority calls were received during the first 3 months of the year compared to 25 during the same period last year. This equates to an impressive 32% reduction and reflects the ongoing investment made in ITT. Of the 17, 9 were resolved within the 6 hour target. The remaining 8 fell into 3 categories:

- 3rd party issues – BT pipe severed at a building site
 - Hardware faults where workarounds were put in place during the working day to reduce customer impact and replacement work was undertaken outside of core service hours.
 - Intermittent faults that were complex in nature and required extensive investigation.
57. The department has received approx 7,700 requests for service during the first quarter of 2007/08 and is currently achieving a successful first time resolution rate of 98.09%.
58. The department's support and business development resources have been heavily involved with the Easy@york business transformational activities including the recent phase that brought Revenue's into the converged service delivery channel provided by the Customer Contact Centre.
59. Work continues on the three major development projects outside of the Easy@york programme:
- a) The phased replacement of the Social Care system project has implemented Care Management as its first module in July;
 - b) the Financial Management System replacement project has reached the tender evaluation stage
 - c) the department has started two pilots to test mobile access of Business Systems.
60. In addition to the previously approved ITT Development projects for 2007/08, a number of new Development projects that have arisen during the first quarter have been accommodated in response to new business demands.
61. The Electoral Registration system was successfully updated in time to support the new election processes introduced in May.

Key Performance Indicators.

62. To support the single Council Plan indicator, the department have developed a robust suite of local indicators to map service performance. Some of the key ones are listed below and highlight the levels of service achieved within the first quarter of 2007/08.

Description	07/08 Target	07/08 Year to Date
Number of high priority calls resolved within the SLA of 0-6 hours	90%	55.56%
Number of med priority calls resolved within the SLA of 3 working days	85%	93.06%
Number of std priority calls resolved within the SLA of 5 working days	85%	97.73%
COLI 71 – % of time that the Council's ITT systems and corporate network infrastructure is available during the core business hours Mon/Fri 8am-6pm	99.30%	99.98%
% of time that the Telephony services is available during the core business hours Mon/Fri 8am-6pm	99%	99.95%

Financial information

63. Effective project management, contract negotiation and budget monitoring processes, coupled with successful income generation activities have contributed to a net underspend for the division of £-322k.
64. £-72k of this is attributable to projects and services that have been delivered under budget, £-15k income has been secured through the sale of additional services and £-29k relates to systems that have either been decommissioned or where the original project business case no longer exists.
65. A further £-174k is attributable to the FMS replacement project that is now scheduled for commissioning during 2008/09 and £-78k to the re-phasing of the replacement Social Care system programme resulting from technical and commercial complexities. Further details are available in Annex 2.

Audit and Risk Management (ARM)

Performance headlines

66. The Division has continued to build on the successes of 2006/07, providing high quality, low cost, customer oriented services which serve to uphold and protect the corporate needs and interests of the Council and the wider community. Particular performance high-lights in the first part of 2007/08 include:
- a) the publication of the new Corporate Procurement Strategy, associated medium term action plan and supporting Guidance Manual for procurement Practitioners in June 2007;
 - b) the practical implementation of the new Corporate Contracts Portfolio, the 'go live' of a series of major corporate framework agreements covering Legal Services, Planning Consultancy and Recruitment & Advertising;

- c) the roll-out and co-ordination of the 5 year Strategic Procurement Programme covering strategic commissioning initiatives across the organisation;
- d) the review of Internal Audit Service by the Audit Commission which found that the service met the Code of Practice standards (a composite of challenging professional service competencies that were only introduced nationally in January 2007) and that the service had much to commend it (the results of this review will be reported in full to the September meeting of the Audit & Governance Committee);
- e) the ongoing development and extension of services provided by the Division, including the new Financial Investigations function and VFM work programme and designated officer champion roles for Information Governance and Data Quality;

67. In addition, work is now well in hand to complete:

- a) a Council competition policy and strategy by Autumn 2007;
- b) a comprehensive Information Governance Strategy and medium term action plan setting out a new policy framework and associated change management programme needed to support the Council's move to one site operations at Hungate;
- c) the 'go-live' implementation of the new Supplier Contract Management System across the organisation and with the business community.

Performance indicators

68. The Division is responsible for three Best Value Performance indicators relating to Housing and Council Tax Benefit fraud investigation services. Our first quarter performance is as follows:

- a) BVPI 76b (Number of fraud investigators per 1,000 caseload) - performance in the first quarter remains unchanged from 2006/07 at 0.50 and is in line with the target for 2007/08;
- b) BVPI 76c (Number of fraud investigations per 1,000 caseload) – performance in the first quarter was slightly below profiled expectations at 10.59, but when the performance figures for July are added in, the team achieved 19.27 for the first third of the year, which will mean the target of 45 for 2007/08 will be well exceeded if this level can be maintained across the remainder of the year;
- c) BVPI 76d (Number of prosecutions/sanctions per 1,000 caseload) – this was 1.16 for the first quarter in 2007/08, ahead of 2006/07 but slightly down when profiled on the annual target for 2007/08 of 4.9. This will be recovered across the remainder of 2007/08.

69. A comprehensive suite of 54 other key performance measures for the Division has been developed, replacing those previously included in the Directorate's

existing Performance Management Framework for ARM. Work is currently ongoing to put in place all the necessary supporting data collection systems and reporting arrangements to ensure we are able to exhaustively report on all key performance information for the purposes of the second monitor in 2007/08.

Financial overview

70. The current projection for the outturn of this division is a net overspend of £86k. The prime reasons for this are the potential shortfall income relating to the Yorkshire Purchasing Organisation dividend together with a prudent assessment of the pump-priming expenditure required for Fraud and Financial Investigation activities. Further details are available in Annex 2.

Financial Services

Performance headlines

71. In the early part of the financial year much of the focus of the service's work is on the completion of the final accounts process.
72. Despite major changes at a national level to the format of information, the draft accounts were approved by members before the statutory deadline of the 30th June. Officers are now supporting the review of the accounts by external audit who must complete this process and issue their opinion on the accounts by the 30th September 2007.
73. Significant progress has also been made on the project to replace the Council's financial systems. The process is now reaching its final stages with the remaining three potential suppliers being invited to demonstrate the functionality of their systems to a range of staff during September. Should these demonstrations and the remaining stages be successful it is hoped that a final supplier will be selected in January 2008. This would allow for an initial go live date in the summer of 2008 and an on-going roll-out for the remainder of that year. However funding for the project team ends in March 2008 and so in order to complete the project relevant underspends will need to be carried forward from 2007/08 into 2008/09.
74. Alongside this, the service has also had to keep up its input into a number of business critical projects. The service is leading the replacement of the council's financial systems, is a key participant in the job evaluation/ equal pay process, has a significant role to play in the on-going review of transport provision, and has supported the successful development of the Local Area Agreement. Balancing such work, much of which requires significant input at a senior level, alongside the ongoing roles and responsibilities of the service remains a major challenge.
75. At a functional level the exchequer functions are continuing to perform well in terms of accuracy and promptness. In addition the uptake of salary sacrifice continues to increase with the level of uptake of cycles having doubled.

76. The service is responsible for BVPI 8 - the percentage of invoices paid by the council within 30 days of receipt. In the first four months of the year performance has improved from 92.62% in 2006/07 to 94.06% in 2007/08. To put this in context this means that of the 22,635 relevant invoices processed by the council during this period only 1,344 were not paid within 30 days of their receipt. If previous years performance were to be repeated this would equate to a 2007/08 outturn of approximately 95% against a target of 95%.

Performance Indicators

Description	06/07 outturn	07/08 Target	07/08 Actual
BVPI 8 - Percentage of invoices paid within 30 days of receipt	93.29%	95%	95%

Financial information

77. It is anticipated that Financial Services will underspend by approximately £119k in 2007/08. However this underspend relates primarily to funding carried forward to meet costs associated with earlier delays in the FMS Project. In order to bring the project to a successful conclusion a request will be bought forward at a later date for this underspend to be carried forward to meet unfunded project costs in 2008/09.

Capital Programme update

78. The Resources approved capital programme totals £7,463k including slippage from 2006/07. The latest monitoring information and proposed adjustments are shown in Annex 4.

Treasury Management update

Projected Outturn

79. Treasury Management is part of the overall corporate budget. The table below illustrates the approved changes since it was set, to arrive at the current budget of £7,407k.

	£000
Start Budget	7,433
Budget Transfer to cover Departmental Savings	(202)
Budget Transfer to cover costs of prudential borrowing	226
Delegated Officer Adjustment to LCCS	(50)
Current Approved Budget	7,407

Changes to the Treasury Management Budget in 2007/08

80. The forecast outturn for 2007/08 is £6,657k, an underspend of £750k against the current approved budget. The table below illustrates the key areas of

activity with the projected under or overspend against budget. The paragraphs below explain these variances.

	(Under) / Over Spend £000
Delay in Borrowing	(144)
Provision to repay debt	(39)
Increase in average Balances	(192)
Increase in rate of interest	(307)
BCCI Dividend	(61)
Minor budgets	(7)
Total	(750)

81. The delay in borrowing is expected to save the Council £144k this year and is as a result of the unfavourable cost of borrowing during the first four months of the year and an unfavourable outlook for the remainder of the year.
82. The Public Works Loans Board (PWLB) 45-50 year rate¹ started the year at 4.45% and has since risen steadily from this low point up to a high of 4.90% in both mid June and July with rates dropping back to a level of 4.55% by the end of July. Due to the rise in world inflationary expectations over the longer term it is unlikely that the PWLB rate will reach the 4.25% trigger set at the start of the year, it is therefore proposed that the target figure be reset at a level of 4.45%, which is still an aggressive target given current market conditions.
83. Strong cashflows mean that the Council can delay any borrowing until March 2009, when additional debt will have to be secured to continue to fund the capital investment programme.
84. The provision required to repay debt has decreased due to the capital programme slippage from 2006/07 and the resulting reduction in the need to borrow in 2006/07, this results in an in year saving of £39k.
85. Average balances are higher than originally anticipated and based on this the increase in interest earned will be £192k more than budgeted. The increase in average balances is due to strong cashflows caused by a number of factors including:
- Significantly higher opening balances due to the 2006/07 revenue under spend of £4m;

¹ The PWLB is part of the HM Treasury's Debt Management Office, they loan money to local authorities for the purposes of capital investment. The rates that they quote are linked to the gilts market and are extremely competitive when compared to rates offered by financial institutions. The 45-50 rate is currently the cheapest rate available and is used as a benchmark for local authority borrowing.

- Early realisation of £4m capital receipts originally scheduled for the end of 2007/08;
 - Higher opening balances as a result of a £5.7m reduction in the 2006/07 capital programme spend due to slippage against the capital budget.
86. The overall increase in interest rates throughout the year is anticipated to contribute an additional £307k in interest income in 2007/08. The consensus amongst economic market commentators at the time of setting the budget was an expectation for interest rates to be in the region of 5% for the year, with a risk to the downside. However, due to stronger than expected inflation, interest rates have steadily increased from 5.25% at the start of the year to a current level of 5.75%, with a potential peak at 6% before the end of 2007. These higher than anticipated levels have resulted in interest rates of 1.0% above the budgeted level.
87. A £61k dividend payment from the liquidators of the collapsed Bank of Credit and Commerce International (BCCI) has been received, taking the total amount of debt recovered by the Council up to 90% (£1.4m) in sterling prices.

Prudential Indicators and Performance

88. As part of the prudential code, introduced to Local Authorities in April 2004, the Council has to set a number of Prudential Indicators. The prudential code relaxed the restrictions that were in place around external borrowing. Council's are now free to borrow to invest more than they are funded for by the Government, providing it is prudent, affordable and sustainable. The Prudential Indicators were set by Council on 1st March 2006 to ensure that the Council is managing its finances in line with the code. Annex ? lists the indicators and performance to date.
89. Overall the in house treasury management team added £223k to Council income in the first four months of the year through its proactive management of cash balances when compared to retaining funds in the Council's bank account.

Consultation

90. None required

Options

91. This report is primarily for information only and therefore no options available.

Corporate Priorities

92. This report supports the priorities of the Corporate Strategy as follows:
- Improve our focus on the needs of customers and residents in designing and providing services

- Improve the way the Council and it's partners work together to deliver better services for the people who live in York
- Improve efficiency and reduce waste to free up more resources

Implications

Financial

93. There are no financial implications other than those laid out within this report

Other Implications

94. There are no significant human resources, equalities, legal, crime and disorder, information technology or property implications within the report.

Risk Management

95. Risk Management is a key issue and risks in this report have been highlighted in the various different service areas. This section will be expanded upon in future reports.

Recommendations

96. The Advisory panel is asked to note and comment on the financial and service performance reported, and advise the Executive Member to:
- Note the current financial situation
 - Note performance, achievements and comments
 - Approve the accounting approach of using revenue reserves for dealing with the Property Trading account to be approved by the Executive
 - Approve the adjustments to the capital programme subject to approval by the Executive.
97. Reason – in accordance with budgetary and performance monitoring procedures

Contact Details

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Simon Wiles
Director of Resources
Resources

Report Approved Date 24/08/2007

Specialist Implications Officers: None other than those included in the report

Wards Affected: N/A

All

For further information please contact the author of the report

Background Papers:

Documents referred to include back catalogues of Council Plans and the Resources 2006/07 outturn report for finance and performance.

Annexes:

Annex 1 – Service Plan monitoring reports

Annex 2 – Revenue variances schedule

Annex 3 – Resources performance tables

Annex 4 – Capital variances schedule