

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET 22 FEBRUARY 2007

REPORT OF THE TOWN CLERK AND CHIEF EXECUTIVE

**BUDGET MONITORING 2006/07 – QUARTER 3
CORPORATE SERVICES**

SUMMARY

REVENUE BUDGET

The forecast is now £300,000 less than last quarter, with the Business Group expected to **underspend by £1 million** by the year-end. This is 5% of the net budget after recharging all support services but only 0.67 % on the total gross expenditure of the Business Group. The most significant underspendings remain on PCSOs (£285,000) and Revenues and Benefits (£1 million), extra Land Charges income (£280,000) offset by under-recovery of Halls Lettings income (£360,000) and extra spend on specific high priority administrative buildings maintenance projects to facilitate improvements in office accommodation (£250,000). Within this underspend there are no items included that will be needed to be carried forward to 2007/08.

CAPITAL BUDGET

The Business Group expects **slippage of £3.7 million** by the year-end, which is a slight increase from last quarter. Although around half of this is due to delays on the Customer Service Centre, the project is progressing well and is now forecast to spend £370,000 more than last quarter. But this has been offset by IT projects now expected to slip by an extra £471,000, primarily caused by the delay in starting the alternative server farm. Overall the programme is underspending by £3.9 million but £195,000 will not now be required.

FOR INFORMATION

1 REVENUE BUDGET

**Revenue Budget Monitoring Report - Corporate Services
December 2006**

	Annual Budget £'000	Spend to date £'000	Spend to date %	Projected Outturn £'000	Variance £'000	Variance %	RAG Status
Budgets Controlled by Business Group							
Finance, Information Systems and Property							
Finance	6,835	4,764	70%	6,830	-5	-0.1%	Green
Customer Services and Revenues	5,089	4,292	84%	4,082	-1,007	-19.8%	Red
Information Systems	4,539	3,765	83%	4,564	25	0.6%	Green
Property Services	-2,085	-1,601	77%	-2,160	-75	3.6%	Green
Law and Administration							
Legal Services	1,684	1,692	101%	1,733	49	2.9%	Green
Governance	1,922	1,386	72%	1,912	-10	-0.5%	Green
Civic Ceremonial	367	290	79%	368	1	0.3%	Green
Policy and Partnerships Unit	7,419	5,073	68%	7,138	-281	-3.8%	Amber
Media and Communications	559	528	94%	529	-30	-5.4%	Green
Personnel and General Services							
Personnel	4,014	2,970	74%	3,965	-49	-1.2%	Green
General Services	8,112	6,532	81%	8,498	386	4.8%	Amber
Total Budgets Controlled by Business Group	38,454	29,692	77%	37,458	-996	-2.6%	Green
Central Support Services Budgets							
CSS recharges net	-20,913	-11,535	55%	-20,913	0	0.0%	
Net CSS budgets	-20,913	-11,535	55%	-20,913	0	0.0%	
TOTAL	17,541	18,156	104%	16,545	-996	-5.7%	

RAG Status (on net budget):

Red = £100k+ variance and over +/-5%

Amber = £100k+ variance and between +/-3-5%

Green = under £100k variance or under +/-3%

Commentary on Variances

1.1 The volatility of the Housing Benefits and Council Tax service is evidenced again this quarter especially with the added uncertainty on the spending profile from the transition to the new IT system. The key differences from last quarter relate to a significant increase in the amount of Benefit overpayments to be recovered which arose from the period when there was no IT system in operation and benefits were paid on previous claims information. Although this will be partly offset by an increase in the provision for bad debts as not all overpayments will be repaid, an extra £350,000 income is now anticipated. There is more certainty on the likely call on the contingency and the unused element has increased by £50,000, but £98,000 of this has been re-directed to the Repairs and Renewal fund for the purchase of back-up servers. These increased underspends are offset by a further reduction of £150,000 in Court Costs income for Council Tax following the hiatus in pursuing cases during the implementation of the new IT system.

1.2 The Metropolitan Police Authority (MPA) continues to make good progress in recruiting to the full budgeted level of Police Community Support Officers and the forecast underspend has reduced by £100,000 to £285,000 after £25,000 has been transferred to TELS for the digitisation of CCTV images.

1.3 Legal Services are now expected to receive £115,000 less income

from the Tenant Management Organisation (TMO), but this is mostly offset by an extra £47,000 from charges to business groups for additional work up to the maximum of 5% permitted surplus and £30,000 salaries savings due to staff turnover. The ongoing loss of TMO income is a significant budget risk for next year and the situation is under review by Legal Services.

- 1.4 The trend on Halls Lettings income has improved in recent months but remains below target and the forecast continues to be a shortfall of £360,000 by the end of the year. This income shortfall will be compensated from general underspends from other budgets within Corporate Services. The ongoing lower income level is being addressed by the recruitment of a professional for two years on a commission basis to undertake intensive marketing and the lessons learned from this initiative will inform the decision on the future of the service. However, the post is yet to be advertised so there is no prospect that there will be any significant impact this year.
- 1.5 Land Charges income remains buoyant this year, forecast to achieve a further £280,000 following a particularly good third quarter. It is proposed to re-direct £200,000 of this extra income to fund additional administrative buildings maintenance work that has become a high priority during the year.
- 1.6 A number of building maintenance projects have been identified as a priority this year, in particular the re-configuration of Pembroke Road reception and the creation of additional office space, the refurbishment of Allen Street and refurbishment of decant space in Kensington Town Hall. These projects are in addition to those already in the planned maintenance programme. One of these projects was the refurbishment of the toilets in Kensington Town Hall for which a budget carry forward of £145,000 is being held. It is not proposed to release the carry forward at this stage as overall the Corporate Services budget is forecast to be underspent and further funding is not required.
- 1.7 The Cabinet Member is requested to note the list of budget virements approved this quarter by the Group Finance Manager as detailed below.
 - £60,000 of the specific budget allocated this year for the Civil Contingencies Act 2004 will not be needed pending identification of appropriate training and equipment requirements. This has been re-directed to meeting the extra costs of the local elections following the Electoral Commission's guidance on extension of postal voting, opening hours and higher wages.
 - Similar to previous years, the OSC consultancy/research budget is forecast to underspend by over £60,000 and so £55,000 has been

transferred to Member's Support to cover some additional one off costs arising from the influx of new Councillors following the election.

- £50,000 extra Registrars income has been re-directed to administrative buildings maintenance for the completion of priority work on office accommodation.
- a budget transfer of £98,000 into the Repairs and Renewal Fund for ISD to purchase back up servers.

Progress on growth and savings

1.8 All savings and growth proposals within the revenue budget are on track with the same exceptions as last quarter but with two additional ones:

- a) The new two year post of Head of Resource Utilisation was filled in January which gives a cost of £20,000 rather than the £75,000 budget.
- b) Progress on part of the payroll contract moving back in house has been affected by the Buncefield fire and the planned transfer of the voluntary organisations payroll in April will now happen in the autumn. This will leave a potential shortfall on the expected full year saving of £60,000.
- c) There have been a number of developments of the Resourcelink payroll system that have been identified as of benefit to the organisation, particularly enhancing the 'self-service' policy for managers to administer the various aspects of managing staff. These may have an impact on the ability of the department to make the £25,000 saving identified in the current year.
- d) The additional £500,000 allocated to further fund PCSOs will not all be required with delays in recruitment by the MPA, leaving £300,000 not needed for this purpose.
- e) Increased Court Costs income for Council Tax will not now be forthcoming with the introduction of the new IT system significantly affecting the recovery of this income, although it is still anticipated that the additional income of £70,000 should be achieved next year.

Local Area Agreement

1.9 Implementation of the Local Area Agreement has started and the final two targets have been agreed with the Government Office for London. But progress on spend is slow and only 10% of the total expected for the year has been spent so far.

2. CAPITAL

Capital Budget Monitoring - Corporate Services December 2006

Description	Original Budget £'000	Annual Budget £'000	Budget Profile to Q3 £'000	Actual Exp To Date £'000	% of annual budget spent	Forecast Outturn £'000	Forecast Variance £'000	Proposed Slippage into 2007/08 £'000
Benefits	785	838	629	364	43.4%	455	-383	283
Building Maintenance	839	1,053	790	542	51.5%	583	-470	389
Town Hall Reception Project	2,329	2,329	1,747	849	36.5%	1,070	-1,259	1,259
Information Systems	1,435	1,548	1,161	256	16.5%	447	-1,101	1,101
Miscellaneous	36	220	165	58	26.4%	61	-159	159
Canalside House development	500	500	375	0	0.0%	0	-500	500
Total	5,924	6,488	4,866	2,069	31.9%	2,616	-3,872	3,691

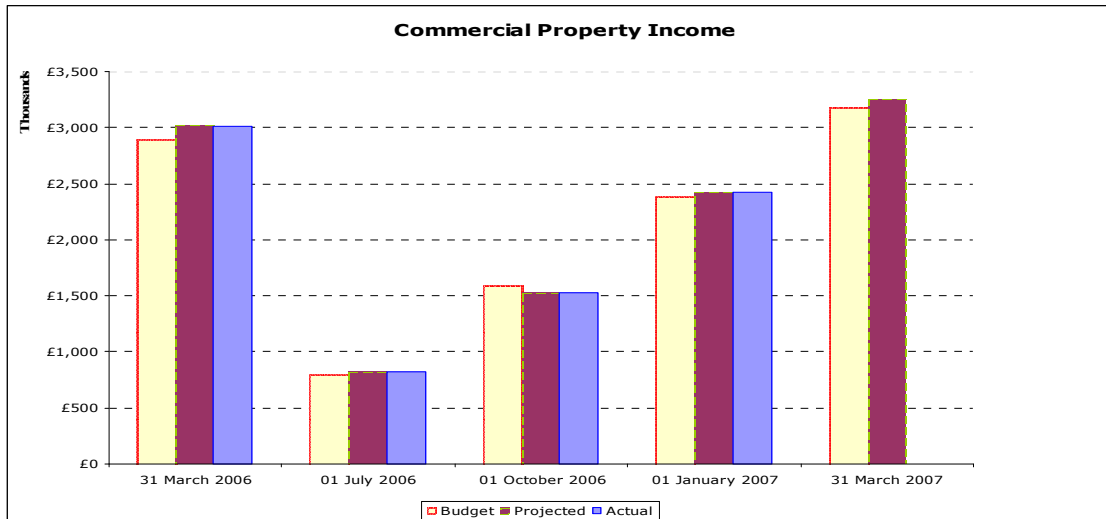
Financed By								
Capital Grant - DWP	80	80				80	0	0
Car Parking Reserve	324	324				51	-273	273
Contributions by Developer	500	500				0	-500	500
CS Capital Expenditure Reserve	1,100	1,100				705	-395	395
Other Reserves	2,413	2,714				1,354	-1,360	1,279
General Resources	1,507	1,770				426	-1,344	1,244
Total	5,924	6,488				2,616	-3,872	3,691

Commentary on Variances

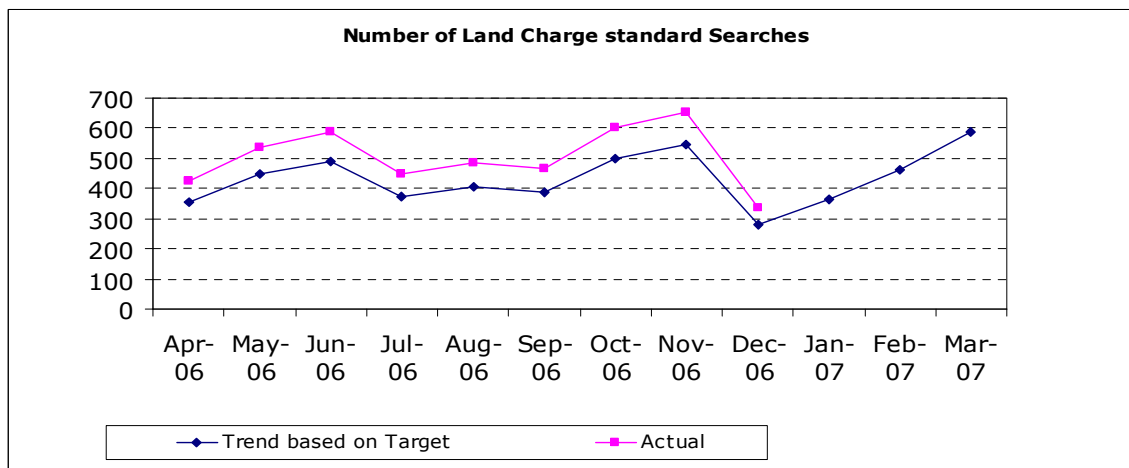
- 2.1 The major variance remains the Kensington Town Hall reception refurbishment with £1.3 million to slip into next year which is £370,000 less than last quarter. The Cabinet approved in November 2006 the letting of the main building contract and the contractor is now on site with completion due in September 2007.
- 2.2 The significant variance from last quarter has been caused by the delay in mobilising the contractor to create the second server farm at Pembroke Road. Although the key decision was approved in August, the contractor did not get on site until December. This project accounts for £400,000 of the extra slippage.
- 2.3 A saving of £100,000 on the new Benefits IT system is now confirmed. Similarly two Building Maintenance projects have come in lower than budget that has enabled £95,000 to remain in the General Services Maintenance Reserve for future projects.

3. KEY TRENDS, COST DRIVERS AND LEAD INDICATORS

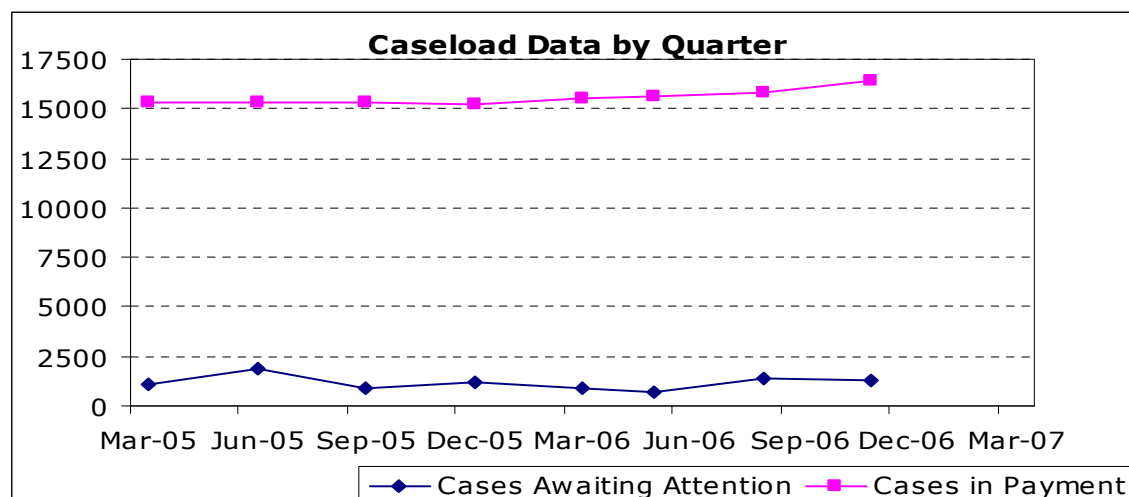
Commercial Property Lettings Income



Land Charge Searches



Revenues



Staff costs

Staff Costs - Budget Monitoring December 2006							
Service	Annual Budget £'000	Budget to date £'000	Spend to date £'000	Variance budget to date £'000	Variance budget to date %	Agency & Overtime Spend £'000	Agency & Overtime as % of total
Finance	3,228	2,421	2,304	-118	-4.9%	47	2.0%
Customer Services and Revenues	6,188	4,641	4,649	9	0.2%	289	6.2%
Information Systems	4,626	3,469	3,380	-89	-2.6%	130	3.9%
Property Services	974	731	686	-44	-6.1%	21	3.0%
Legal Services	2,006	1,504	1,490	-14	-0.9%	110	7.4%
Governance Services	1,120	840	827	-13	-1.5%	25	3.0%

4. PERFORMANCE INDICATORS

4.1 Percentage of supplier invoices paid within 30 days (BVPI 8) Council wide.

Q1 05/06	Q2 05/06	Q3 05/06	Q4 05/06	Cum. Year 05/06	Q1 06/07	Q2 06/07	Q3 06/07	Q4 06/07	Cum, Yr to date
74%	80%	86%	82%	80.5%	83%	85%	91.6%		86%

The corporate figures include an adjustment for disputed invoices, based on a snapshot figure across all groups. Individual Business Group figures do not reflect disputed invoices, which means they show a lower level of performance. The number of disputed invoices remains at a higher level than previously experienced.

Percentage of supplier invoices paid within 30 days (BVPI 8) for Corporate Services.

Q1 05/06	Q2 05/06	Q3 05/06	Q4 05/06	Cum. Year 05/06	Q1 06/07	Q2 06/07	Q3 06/07	Q4 06/07	Cum, Yr to date
84.9%	87.7%	90.3%	89.6%	88.1%	87.6%	84.9%	91.7%		88.1%

4.2 NNDR Collection Rates (%)

Year	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
Annual	99.28	99.21	99.31	99.21	99.22	99.39	99.14	89.20
December	87.81	88.41	88.57	89.43	89.01	89.54	89.98	89.20

4.3 Council Tax Collection Rates (%)

Year	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
Annual	98.36	98.41	98.30	98.21	98.22	98.16	97.67	83.18
December	83.83	84.72	83.97	84.07	84.04	84.48	84.67	83.18

4.4 Accounts receivable indicators

	Oct 2006	Nov 2006	Dec 2006
Value of debts raised in last 12 months		62,231,616	65,920,382

	100,216,148		
Total Debts Outstanding	10,480,822	9,375,842	10,756,558
Debt outstanding as % of annual debit	10.5%	15.1%	16.3%
% Debt raised in the last 12 months collected	93.3%	87.6%	89.6%
Debtor days	24.6	45.3	38.1

Note: The debts outstanding figure increased due to Schools Payroll Invoices, Property Services quarterly charges and invoices raised by Education in October.

5. **RECOMMENDATIONS**

- 5.1 The Cabinet is recommended to approve a budget virement of £200,000 from Land Charges income to administrative buildings maintenance.

Derek Myers
TOWN CLERK AND CHIEF EXECUTIVE