

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET 26 APRIL 2007

**REPORT OF THE EXECUTIVE DIRECTOR FOR HOUSING, HEALTH AND
ADULT SOCIAL CARE**

BUDGET MONITORING 2006/07 – QUARTER 4

HOUSING, HEALTH AND ADULT SOCIAL CARE

SUMMARY

GENERAL FUND REVENUE BUDGET

At this stage, it is forecast that the Business Group will **underspend by £1,550,000** (2.6%) by the year-end. This compares to a projected underspend of £942,000 in the quarter 3 monitoring report. This includes the contribution towards the funding arrangement negotiated with the Primary Care Trust.

This position reflects the following:

- The continuing progress in reducing expenditure on home care services which has now been brought within budget;
- The associated costs arising from the closure of the Edenham home for Older People
- A higher level of income relating to Temporary Accommodation is forecast due to income recovery levels being higher than forecast when the budget was set.

CAPITAL BUDGET

It is forecast that the Business Group will **underspend by £9,046,000** (25%) by the year-end. £7,825,000 relates to slippage on Ellesmere.

HOUSING REVENUE ACCOUNT (HRA)

An underspend of **£336,000** (0.64%) is forecast at this stage. Details are set out in Appendix 1.

FOR INFORMATION

1 REVENUE BUDGET

Revenue Budget Monitoring Report - Housing, Health and Adult Social Care

Service	Annual Budget £'000	Spend to Date £'000	Spend to Date %	Projected Outturn £'000	Variance £'000	Variance %	RAG Status
Budgets Controlled by Business Group							
<u>Adult Social Care Functions</u>							
Corporate and Democratic Core	116	107	92.2%	116	0	0.0%	Green
Service Strategy	265	243	91.7%	265	0	0.0%	Green
Services for Older People	19,764	17,468	88.4%	19,598	-166	-0.8%	Green
Services for People with a Physical Disability	4,518	3,790	83.9%	4,495	-23	-0.5%	Green
Services for People with Learning Disabilities	5,442	4,541	83.4%	5,339	-103	-1.9%	Green
Services for People with a Mental Health Need	5,362	4,934	92.0%	5,619	257	4.8%	Amber
Other Adult Services	1,030	759	73.7%	953	-77	-7.5%	Green
Supported Employment	43	43	100.0%	43	0	0.0%	Green
Public Transport	5,226	3,974	76.0%	5,121	-105	-2.0%	Green
Other Miscellaneous	-428	-322	75.2%	-322	106	-24.8%	Red
Management and Support Services	2,475	1,884	76.1%	2,475	0	0.0%	Green
Adult Social Care	43,813	37,421	85.4%	43,702	-111	-0.3%	Green
<u>Housing Functions</u>							
Corporate and Democratic Core	124	0	0.0%	124	0	0.0%	Green
Housing Management and Support	734	538	73.3%	762	28	3.8%	Green
Housing Strategy	512	72	14.1%	512	0	0.0%	Green
Housing Needs and Homelessness	491	-782	-159.3%	-867	-1,358	-276.6%	Red
Enabling Activities	698	610	87.4%	646	-52	-7.4%	Green
Supporting People	-269	0	0.0%	-326	-57	21.2%	Green
Housing	2,290	438	19.1%	851	-1,439	-62.8%	Red
<u>Environmental Health</u>							
Corporate and Democratic Core	758	740	97.6%	766	8	1.1%	Green
Food and Training	657	524	79.8%	635	-22	-3.3%	Green
Trading Standards	300	248	82.7%	281	-19	-6.3%	Green
Environmental Quality	460	373	81.1%	405	-55	-12.0%	Green
Health and Safety	444	376	84.7%	413	-31	-7.0%	Green
Mortuary, Coroners and Pest Control Services	470	324	68.9%	531	61	13.0%	Green
Noise and Nuisance	919	914	99.5%	979	60	6.5%	Green
Housing Private Sector	540	602	111.5%	534	-6	-1.1%	Green
Environmental Health	4,548	4,101	90.2%	4,544	-4	-0.1%	Green
<u>Executive Functions</u>							
Executive Director	382	295	77.2%	348	-34	-8.9%	Green
Resource Management	1,667	1,609	96.5%	1,692	25	1.5%	Green
Policy & Performance	750	694	92.5%	763	13	1.7%	Green
Executive	2,799	2,598	92.8%	2,803	4	0.1%	Green
Total Budgets Controlled by Business Group							
	53,450	44,558	83.4%	51,900	-1,550	-2.9%	Green
Budgets Controlled by Other Business Groups							
	5,862	4,363	74.4%	5,862	0	0.0%	
Capital Financing Charges							
	913	0	0.0%	913	0	0.0%	
FRS17							
	313	0	0.0%	313	0	0.0%	
Dept Budgets Recharged to Other Services							
	-1,942	0	0.0%	-1,942	0	0.0%	
Total	58,596	48,921	83.5%	57,046	-1,550	-2.6%	

RAG Status:

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 Based on expenditure for 11 months of the year a projected underspend of approximately £637,000 is forecast on the home care budget, although it is difficult to predict with absolute certainty the outturn position on this volatile budget. This represents a reduction in expenditure of approximately £1.8 million between 2005/06 and 2006/07 and excludes the impact of inflation.
- 1.2 This position includes the increase to the home care budget arising from a one-off virement of £176,000 which was approved by the Cabinet in October. Expenditure on home care, including direct payments, has continued to reduce and is within budget, which is mainly due to services provided being reviewed and more robust processes for agreeing care packages being introduced.
- 1.3 As Home Care packages are reviewed and expenditure is reducing, lower than anticipated levels of income are being generated from charges and a year end shortfall of £110,000 has been assumed. The income budget for 2006/07 was set in October 2005 which was before the impact of the review of care packages was known. This budget shortfall has been addressed when setting the 2007/08 budget.
- 1.4 An underspend of £746,000 (4.9%) has been included for employees budgets within Adult Social Care. This includes the one-off benefit arising from an over accrual of £143,000 for outstanding agency staffing invoices in the 2005/06 accounts, this benefit will not be available to fund budgetary pressures in future years. It also reflects a number of posts being vacant during the year which are not expected to be vacant next year. However, against this underspend it is likely that costs of up to £300,000 may arise from redundancies and retirements related to the closure of Edenham. This figure includes the costs of payment in lieu of notice that will need to be paid to these Edenham staff.
- 1.5 No provision is made in the projections for any liability relating to the Single Status agreement, to harmonise terms and conditions of service for 'white-collar' and 'blue-collar' staff. This is due to be agreed this year and implemented in 2007/08. The 2007/08 budget includes additional budget provision to meet the costs arising in residential homes and day centres. If the reduced level of home care can be sustained in 2007/08, then it is envisaged that the additional costs arising from the Single Status agreement can be contained within the home care budget.
- 1.6 Overall there is an overspend of £179,000 on residential, nursing and intensive supported living arrangements for younger adults (people with mental health needs, people with disabilities, people who are substance misusers and people who have HIV/AIDS). This is mainly due to expenditure on supported living cases within the learning disability service.

- 1.7 The Financial Plan for 2006/07 included savings of £200,000 following the closure of Tavistock Hostel. Further savings of £112,000 are available in the current year and it is assumed these savings will remain unused in 2006/07. The Financial Plan for 2007/08 includes savings of £100,000 from 2007/08.
- 1.8 There is a projected overspend of £409,000 on residential, nursing and other living arrangements for older people. This reflects the costs of the closure of Edenham and starting up a new block contract for placements at James Hill House which is a new Extra Care Housing development. Following the closure of Edenham and the planned opening of Ellesmere House, it is anticipated that in future years the cost of a similar number of placements could be met from within the budget provision.
- 1.9 An underspend of £105,000 on Public Transport mainly relates to the Taxicard budget which reflects the additional funding being provided by the London Mayor.
- 1.10 In the quarter 2 report the Cabinet agreed to draw down £120,000 from the Repairs and Renewals Fund in 2006/07 to fund the projected overspend on the IT budget within Adult Social Care. The level of expenditure anticipated in the current year is now lower than expected and this draw down will no longer be required.
- 1.11 It is expected that funding provided by the Department of Health for HIV/AIDS, the Individual Budgets Pilot and Preventative Technology will not be fully used in the current year. The position shown assumes that the grant funding will be carried forward to 2007/08 in accordance with the grant conditions.
- 1.12 The Council is currently owed £89,000 by the Brent Primary Care Trust relating to Registered Nursing Care Contributions. These debts have been outstanding for several years and are now being pursued by Legal Services. It is assumed that these debts will be recoverable and that no increase needs to be made to the bad debts provision.
- 1.13 The underspend of £1,358,000 on Housing Needs and Homelessness comprises net income of £1,345,000 on Temporary Accommodation as a result of a higher income recovery than projected in the budget, an underspend of £64,000 on Housing Association Leasing Scheme rents plus an underspend of £76,000 on incentive schemes. This is partly offset by an overspend of £127,000 on Housing Needs salaries which is due to the team having a full establishment and many staff being paid at the higher points on their scales due to the length of time they have been employed by the Council. This position is after funding a number of homelessness prevention initiatives totalling £814,000 which was agreed by the Cabinet at its meeting on 30th March 2006. A renewed virement of £1.2m is included in the 2007/08 budget to fund a number of prevention initiatives.

- 1.14 The quarter 3 monitoring report projected savings of £56,000 following a number of reductions of service costs as agreed by the Commissioning Body for Supporting People. This underspend has been transferred to the Supporting People Reserve to allow time for a savings strategy to be developed and implemented. Further savings of £57,000 are now anticipated which again will be added to the Supporting People Reserve.

Progress on growth and savings

- 1.15 The Financial Plan included additional income of £270,000 from charges for non-residential care services. However, the latest projections suggest that the level of income being collected is likely to be lower than that assumed when the new policy was agreed. A shortfall of £110,000 has been assumed in this report, as explained in 1.3. Whilst the lower level of income could reflect some reaction to the new charging policy, the reductions in care packages following recent reviews are likely to account for the majority of this shortfall. This shortfall has been offset by a reduction in expenditure on home care (see 1.2 above).
- 1.16 The Royal Borough Review of Noise and Nuisance agreed that savings could be recycled into the service. The predicted saving against budget of £20,000 has not therefore been achieved.
- 1.17 All other savings and growth proposals within the revenue budget are on track.

2 CAPITAL

2.1 The following table summarises the projected position on capital in 2006/07:

Capital Budget Monitoring Report - HHASC								
February 2007								
Description	Original Budget £'000	Annual Budget £'000	Budget Profile to Feb 2007 £'000	Actual Exp to Date £'000	% Annual Budget Spent	Forecast Outturn £'000	Forecast Variance £'000	Slippage 2007/08
HRA Main Programme	25,515	23,802	21,819	17,685	74	23,745	-57	57
Regeneration	330	349	320	210	60	424	75	-75
Disabled Facilities Grant	350	381	349	190	50	340	-41	35
Renovation Grant	350	350	321	249	71	330	-20	20
Lets Rent	30	30	28	15	50	21	-9	9
Elm Park Gardens Basements	580	704	645	100	14	217	-487	487
Stock Condition Survey	0	47	43	47	100	47	0	0
Compulsory Purchase Order	0	50	46	0	0	0	-50	50
Sub Total - Housing	27,155	25,713	23,570	18,496	72	25,124	-589	583
Mortuary	45	49	45	0	0	0	-49	49
Replacement EHIS	69	179	164	37	21	50	-129	129
Sub Total - Environmental Health	114	228	209	37	16	50	-178	178
Adult Social Care	9,691	9,271	8,498	733	8	992	-8,279	8,279
Sub Total - Social Services	9,691	9,271	8,498	733	8	992	-8,279	8,279
Total HHASC	36,960	35,212	32,278	19,266	55	26,166	-9,046	9,040

Financed By								
Loan (General Resources)	6,637	6,851				6,599	-252	252
ALMO Resources	7,344	7,344				7,344	0	0
Contributions from Health	1,150	733				356	-377	377
Transport for London	53	50				50	0	0
Developer Contributions	7,825	7,825				0	-7,825	7,825
RCCO	45	45				45	0	0
SS Capital Reserve	0	0				0	0	
Use of other reserves	45	92				50	-42	42
Major Repairs Allowance	13,021	11,308				11,251	-57	57
HRA Revenue Contributions	50	50				50	0	0
Capital Receipt	580	704				217	-487	487
Specific Grant	210	210				204	-6	0
Total	36,960	35,212				26,166	-9,046	9,040

* The actual spend to date shown against the HRA Main Programme is the spend to the end of January 2007

2.2 The position on the HRA Capital Programme reflects that reported at TMO Board on 8 March 2007. The HRA main programme at 31st January 2007 is projecting annual expenditure of £23.745 million against an approved revised annual budget of £23.802 million, which represents a projected underspend of 0.02% or £57,000. This forecast has taken account of all schemes that can be reasonably brought forward from subsequent years. The main variances and risks from the revised annual budget are outlined below:

- (i) *Tranches 1-3:* The forecast outturn of £5.897 million represents an underspend of £523,000 in comparison to the revised annual budget. This is due to a change in the rewiring policy at Worlds End and adjustments resulting from the reconciliation of Final Accounts.

Tranche 4: The Tranche 4 works programme has been accelerated, resulting in an increase in the Quarter 4 forecast spend of £435,000 as against the Quarter 3 forecast.

Tranches 1-4: The annual forecast is now expected to be £11.533 million, compared to the revised budget of £11.621 million.

External Decent Homes: The feasibility studies for external Decent Homes work were received at the end of January 2007. The combined funding is £16.5 million (£6.5 million Tranche 4 internal and £10 million for external works). Once they have been analysed officers will be in a position to assess the overall budget position on Decent Homes and recommend appropriate action.

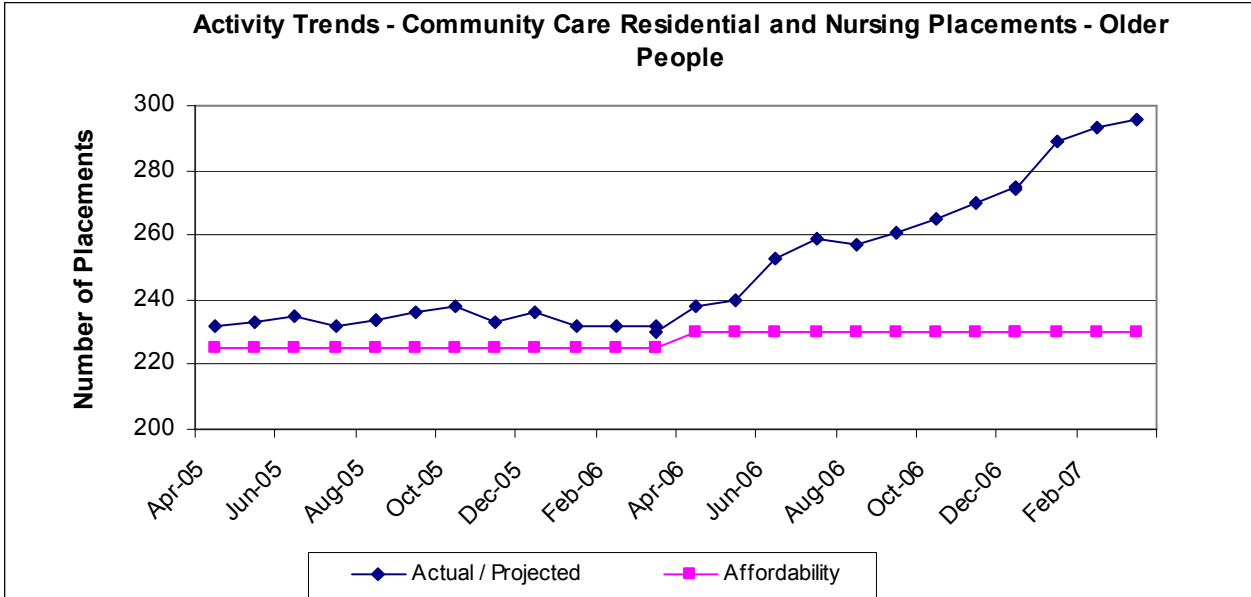
- (ii) *Elm Park Gardens* - Continued progress on the 1960/70 blocks has increased the forecast spend by £597,000 as compared to the revised budget.
- (iii) *Wiltshire Close – Emergency Works (Boilers/Flues):* For health and safety reasons these emergency works have been approved and commissioned. A review of the nature of the project has confirmed that they are capital in nature and hence they are now reported as part of forecast capital programme costs for 2006/07. Forecast outturn for the year is £360,000, with the possibility of further expenditure being required as works progress.
- (iv) *Wiltshire Close – Lifts:* The forecast outturn of £930,000 represents an under spend of £181,000 against the revised budget and a £170,000 reduction from the Quarter 3 report. The project continues to be delayed because of a number of unpredictable difficulties such as asbestos, flooding, and the replacement of electrical cables.
- (v) *Worlds End Estate - All Projects:* An underspend of £125,000 is due to Worlds End Estate Door Entry and CCTV systems still requires consultation with the residents group.
- (vi) *Miscellaneous Project Costs:* There has been a reduction in the annual forecast of miscellaneous project costs since quarter 3 taking the underspend in quarter 4 to £451,000 as compared to the revised budget. The majority of this is due to £120,000 reduction in the forecasts for feasibility studies. The remaining variation is due to other reductions across the balance of the smaller projects.

2.3 There is a projected overspend of £75,000 on regeneration schemes arising from work on sites to be improved to meet targets within the Local Area Agreement being undertaken more quickly than anticipated. This has been possible following the employment of a Neighbourhood Management Co-ordinator to work closely with the TMO and RSL's to develop plans and implement schemes.

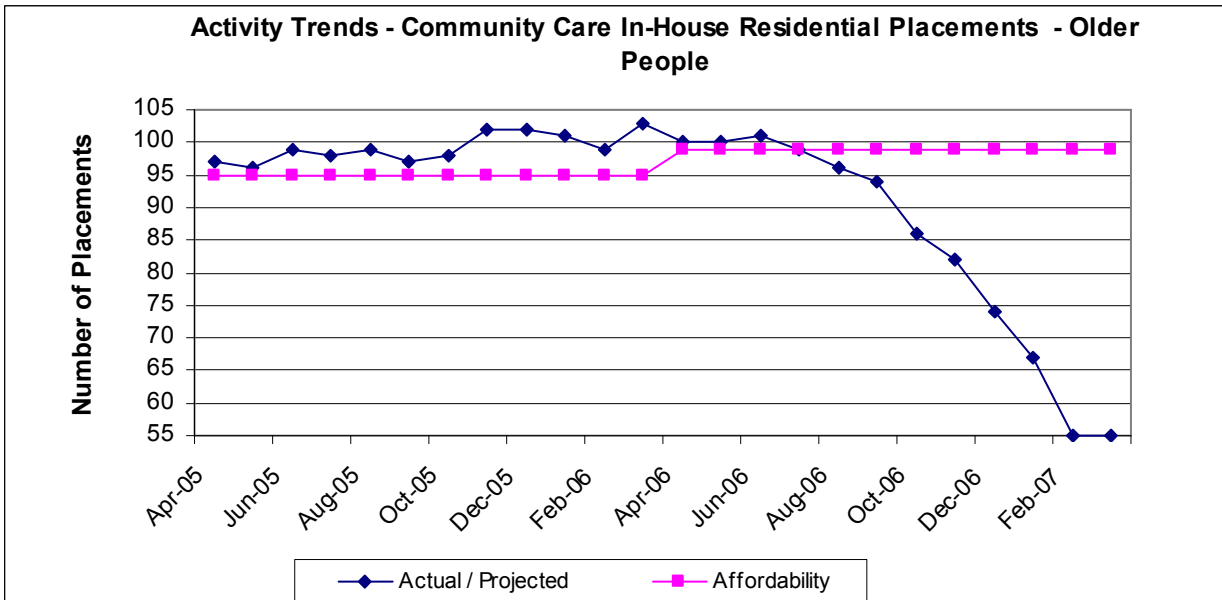
- 2.4 The budget provision for Disabled Facilities Grants has all been committed but will not actually be fully spent by 31st March. The projected underspend on this budget will therefore need to be carried forward to fund expenditure arising in 2007/08. The underspend on Renovation Grants is due to a lower level of demand than had been anticipated.
- 2.5 The projected underspend on Elm Park Gardens Basements is due to a delay in works starting following the discovery of asbestos on site.
- 2.6 The underspend on Adult Social Care mainly reflects slippage on the Ellesmere scheme. When the building is handed over to the Council expenditure of £7,825,000 is assumed to be incurred which is funded by a developer contribution; no cash changes hands but this accounting treatment reflects the value to the Council of the residential care home. This accounting transaction will now occur in 2007/8 rather than 2006/7.

3 KEY TRENDS, COST DRIVERS AND LEAD INDICATORS

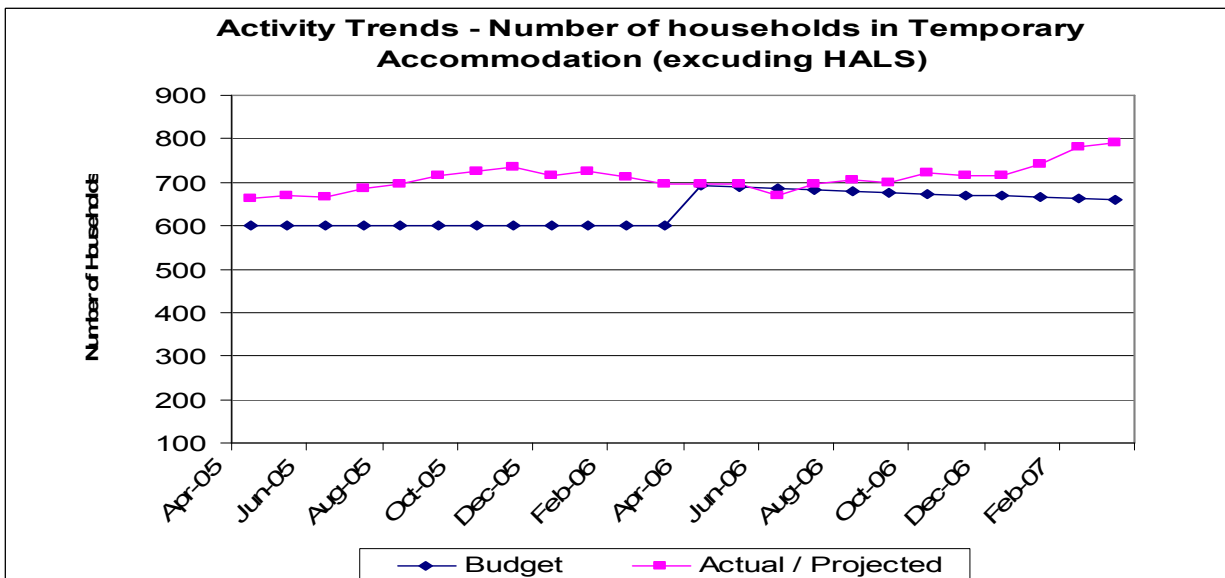
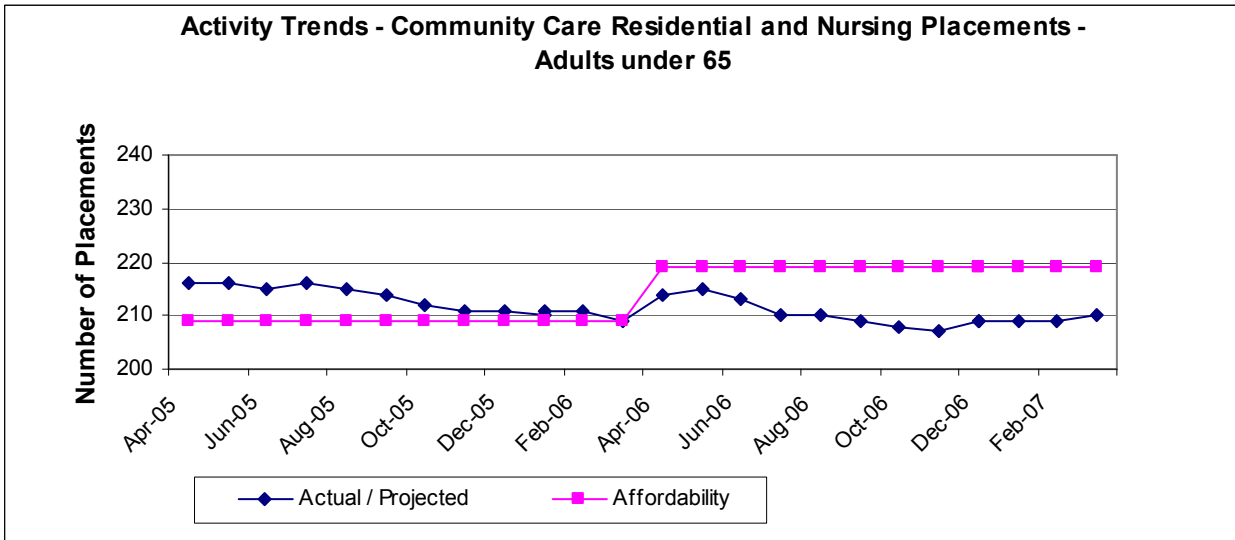
3.1 The following graphs show actual and expected activity from April 2005 on a number of volatile budgets:



This graph shows only the numbers of placements in the independent sector. The increase in the numbers of cases supported includes the effect of closing the Edenham home.



This graph shows the number of placements in in-house homes. The decrease in the numbers of cases is due to the closure of the Edenham home.



3.2 The following table shows the expenditure to the end of December on employee budgets:

**Staff Costs Budget Monitoring - Housing & Social Services
February 2007**

Service	Annual Budget £'000	Budget to Date £'000	Spend to Date £'000	Variance Budget to Date £'000	Variance Budget to Date %	Agency Staff & Overtime Spend £'000	Agency Staff & Overtime as % of Total
Adult Social Care	16,609	15,225	14,505	-720	-4.7%	1,511	10.4%
Housing Functions	2,376	2,178	2,296	118	5.4%	31	1.4%
Executive Function	2,325	2,131	2,155	24	1.1%	192	8.9%
Environmental Health	4,000	3,667	3,614	-53	-1.4%	152	4.2%
Total	25,310	23,201	22,570	-631	-2.7%	1,886	8.4%

In May, bonuses were paid to HAY staff. This distorts the position as the budgets are not profiled to reflect this.

4 PERFORMANCE INDICATORS

4.1 The following table shows the percentage of supplier invoices for Housing, Health and Adult Social Care paid within 30 days (BVPI 8)

Q1 06/07	Q2 06/07	Q3 06/07	Q4 06/07	Cum. Yr to Date
79.4%	79.8%	89.7%	87.3%	86.2%

4.2 The following table shows the unit costs of residential placements within the Adult Social Care Division. The services have been split between those for older people and those for adults under 65.

	Cum. Yr 05/06	Cum. Yr to Date
Older People	£652	£655
Adults under 65	£950	£873

JEAN DAINTITH
**EXECUTIVE DIRECTOR FOR HOUSING, HEALTH AND ADULT SOCIAL
CARE**

HOUSING REVENUE ACCOUNT

Housing Revenue Account
Projected Outturn Position, 2006/2007

Service	Annual Budget (Revised) £'000	Spend to Date - Jan 07 £'000	Spend to Date - Jan 07 %	Projected Outturn £'000	Variance £'000	Variance %	RAG Status
<u>TMO Management Fee</u>	12,139	9,870	81.3%	12,139	0	0.0%	Green
<u>TCC Managed Budgets</u>							
<i>Expenditure</i>							
Repairs and Maintenance							
Planned Maintenance	5,714	3,243	56.8%	5,440	-274	-4.8%	Amber
Response Repairs	5,114	3,759	73.5%	5,121	7	0.1%	Green
Area Revenue Works	716	411	57.4%	751	35	4.9%	Green
Planned Response Repairs	210	223	106.2%	210	0	0.0%	Green
Electricity, Heating and Water	2,577	1,219	47.3%	2,577	0	0.0%	Green
Contract Cleaning	1,710	1,473	86.1%	1,703	-7	-0.4%	Green
Pest Control	149	99	66.4%	132	-17	-11.4%	Green
Refuse Collection	123	99	80.5%	122	-1	-0.8%	Green
General Management	352	163	46.3%	345	-7	-2.0%	Green
Notting Hill Carnival	114	110	96.5%	110	-4	-3.5%	Green
Provision for Bad and Doubtful Debts	619	1	0.2%	619	0	0.0%	Green
<i>Income</i>							
Rental Income							
Dwelling Income	-28,636	-23,633	82.5%	-28,582	54	-0.2%	Green
Commercial Property Income	-2,433	-1,887	77.6%	-2,490	-57	2.3%	Green
Garage Income	-602	-520	86.4%	-602	0	0.0%	Green
Charges for Services & Facilities	-6,023	-5,433	90.2%	-6,065	-42	0.7%	Green
Major Works Service Charges	-2,993	-2,992	100.0%	-2,993	0	0.0%	Green
Grants/contributions	-366	-321	87.7%	-366	0	0.0%	Green
Heating and Hot Water	-1,733	-1,431	82.6%	-1,747	-14	0.8%	Green
Transfer (+) to from (-) Reserves	-237	0	0.0%	-246	-9	3.8%	Green
<i>TCC Managed Budget</i>	-25,625	-25,417	99.2%	-25,961	-336	-1.3%	Green
<u>Council Managed Budgets</u>							
<i>Expenditure</i>							
Capital Charges	18,944	15,787	83.3%	18,944	0	0.0%	Green
Recharges & Central Support Services & Recharges	1,015	616	60.7%	1,015	0	0.0%	Green
Insurance	825	814	98.7%	825	0	0.0%	Green
Miscellaneous Budgets	134	-13	-9.7%	134	0	0.0%	Green
<i>Income</i>							
Housing Subsidy	-8,146	-7,376	90.5%	-8,146	0	0.0%	Green
Interest Income	-1,075	-860	80.0%	-1,075	0	0.0%	Green
<i>Council Managed Budgets</i>	11,697	8,968	76.7%	11,697	0	0.0%	Green
Total HRA Budget	-1,789	-6,579	367.8%	-2,125	-336	-18.8%	Red
Working Balance b/fwd	-2,552	0	0	-2,552	0	0.0%	Green
Contribution to (-) or from(+) Working Balance	-1,789	0	0	-2,125	-336	18.8%	Red
Working Balance c/fwd	-4,341	0	0.0%	-4,677	-336	-7.7%	Red

RAG Status

Red = £100k+ variance and over +/-5%

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

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

The table shows there is a projected underspend on the HRA of £336,000 compared to the revised budget. This is mainly due to the following:

TENANTS CONSULTATIVE COMMITTEE (TCC) MANAGED BUDGETS

The overall forecast for 2006/07 is for net income of £25.961 million, which is now being monitored against the revised net income budget of £25.625 million. This represents a projected over recovery of income of £336,000 or 1.3%.

Significant variances between the forecast outturn position and the revised budget are explained further below:

Area Revenue Works (ARW) – estimated additional expenditure of £35,000 against the revised budget, based on schemes completed to date and scheduled schemes which have been approved by local Area Review Boards. The variance relates to works in Lancaster West. This will be offset by a corresponding transfer from reserves.

Planned Maintenance – there is a projected underspend of £274,000 against the revised budget on Planned Maintenance. The three main underspends are £162,000 on District Heating, £75,000 on External Decorations and £40,000 on Lifts. Expenditure to the end of January was £3.243m which represents 60% of the total forecast expenditure on planned maintenance of £5.440m. This indicates that a disproportionate amount of work will be carried out in the latter part of the financial year, some of which may be at risk of slippage into 2007/08. In light of the forthcoming financial year end Technical Services officers have been tasked with ensuring that all invoicing is up to date.

Dwelling Income / Charges for Servicess – as reported previously, these two income budgets need to be considered together as any annual changes in service charges charged to tenants impact upon revised rents, as guided by the rent restructuring model. The overall projected overspend of £12,000 arises principally through the inclusion of updated actual figures from the Academy IT system.

Commercial Properties Rent Income – there has been an increase in projected income of £199,000 in relation to the original budget, and an increase of £57,000 from the revised budget because a number of favourable rent reviews have been negotiated and additional properties let.

Council Managed Budgets

The overall forecast outturn position for the HRA (Council Managed) budgets for 2006/07 is for net expenditure of £11.697 million, which represents a nil variation in comparison to the revised budget of £11.697 million.