

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET 26 OCTOBER 2006

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

**BUDGET MONITORING 2006/07 – QUARTER 2
HOUSING, HEALTH AND ADULT SOCIAL CARE**

SUMMARY

GENERAL FUND REVENUE BUDGET

At this stage, it is forecast that the Business Group will **underspend by £1,154,000 (1.9%)** by the year-end. This excludes any contribution towards the funding arrangement being negotiated with the Primary Care Trust.

CAPITAL BUDGET

It is forecast that the Business Group will **underspend by £2,217,000 (5.9%)** by the year-end.

HOUSING REVENUE ACCOUNT (HRA)

An overspend of **£1,331,000 (2.5%)** is forecast at this stage. Details are set out in Appendix 1.

FOR INFORMATION

1 KEY ISSUES

- 1.1 The overall projected underspend of £1,154,000 includes an underspend on the Supporting People budget of £533,000 and an overspend of £120,000 on IT budgets within Adults Social Care. A transfer of the underspend on the Supporting People budget to the Supporting People Reserve is requested. In addition, a draw down of £120,000 from the Repairs and Renewals Fund containing the provision for IT projects within Adults Social Care is recommended. If these recommendations were supported then the projected year end underspend would reduce to £741,000.
- 1.2 A significant underspend on the Temporary Accommodation budget is forecast due to income recovery levels being higher than forecast when the budget was set.
- 1.3 At its meeting on 27th July 2006, the Cabinet approved the funding arrangements which the Primary Care Trust (PCT) had proposed to

avoid withdrawing funding from projects it wishes to support longer term. Under these arrangements the Council will meet a proportion of the costs of these services in the short term and would be reimbursed by the PCT in later years. The precise amount to be met by the Council in 2006/07 has yet to be determined but would be funded initially from any underspends within the Business Group and then a release from the Corporate Contingency to meet any shortfall.

- 1.4 Good progress has been made this year on managing the Home Care budget. Whilst this still represents the greatest financial pressure for the Business Group, the action taken in the second half of last year and this year is now having a positive impact. Additional funding was allocated to the service during 2005/06, including temporary resources of approximately £1 million. However at the year end, the service was overspent by £1million. Action taken in 2006/07 to reduce the overspend for this year is detailed below.
- 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.

2 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	0	0.0%	116	0	0.0%	Green
Service Strategy	265	0	0.0%	265	0	0.0%	Green
Services for Older People	19,712	9,539	48.4%	20,252	540	2.7%	Green
Services for People with a Physical Disability	4,406	2,073	47.0%	4,468	62	1.4%	Green
Services for People with Learning Disabilities	5,422	1,836	33.9%	5,249	-173	-3.2%	Amber
Services for People with a Mental Health Need	5,337	2,072	38.8%	5,136	-201	-3.8%	Amber
Other Adult Services	1,069	265	24.8%	1,031	-38	-3.6%	Green
Supported Employment	45	25	55.6%	45	0	0.0%	Green
Public Transport	5,226	2,527	48.4%	5,125	-101	-1.9%	Green
Other Miscellaneous	-428	-163	38.1%	-428	0	0.0%	Green
Management and Support Services	2,834	1,147	40.5%	2,984	150	5.3%	Red
<i>Social Services</i>	44,004	19,321	43.9%	44,243	239	0.5%	Green
<u>Housing Functions</u>							
Corporate and Democratic Core	124	0	0.0%	124	0	0.0%	Green
Housing Management and Support	679	286	42.1%	719	40	5.9%	Green
Housing Strategy	412	0	0.0%	412	0	0.0%	Green
Housing Needs and Homelessness	525	56	10.7%	-532	-1,057	-201.3%	Red
Enabling Activities	713	378	53.0%	713	0	0.0%	Green
Supporting People	319	0	0.0%	-214	-533	-167.1%	Red
<i>Housing</i>	2,772	720	26.0%	1,222	-1,550	-55.9%	Red
<u>Environmental Health</u>							
Environmental Health Management and Support	792	417	52.7%	792	0	0.0%	Green
Food and Training	654	340	52.0%	654	0	0.0%	Green
Trading Standards	298	141	47.3%	298	0	0.0%	Green
Environmental Quality	442	179	40.5%	442	0	0.0%	Green
Health and Safety	442	231	52.3%	442	0	0.0%	Green
Mortuary, Coroners and Pest Control Services	470	202	43.0%	530	60	12.8%	Green
Noise and Nuisance	919	505	55.0%	919	0	0.0%	Green
Housing Private Sector	663	347	52.3%	663	0	0.0%	Green
<i>Environmental Health</i>	4,680	2,362	50.5%	4,740	60	1.3%	Green
<u>Executive Functions</u>							
Executive Director	380	186	48.9%	370	-10	-2.6%	Green
Resource Management	1,701	910	53.5%	1,761	60	3.5%	Green
Policy and Performance	750	418	55.7%	797	47	6.3%	Green
<i>Executive</i>	2,831	1,514	53.5%	2,928	97	3.4%	Green
Total Budgets Controlled by Business Group	54,287	23,917	44.1%	53,133	-1,154	-2.1%	Green
Budgets Controlled by Other Business Groups							
Capital Financing Charges	6,236	1,434	23.0%	6,236	0	0.0%	
FRS17	1,805	0	0.0%	1,805	0	0.0%	
Dept Budgets Recharged to Other Services	122	0	0.0%	122	0	0.0%	
	-2,537	0	0.0%	-2,537	0	0.0%	
Total	59,913	25,351	42.3%	58,759	-1,154	-1.9%	

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

- 2.1 Expenditure on home care, including direct payments, is continuing to reduce which is mainly due to services provided being reviewed and more robust processes for agreeing care packages being introduced. Progress has been made to improve the reliability of data following the implementation of the home care ordering system; however, it is still difficult to predict with absolute certainty the outturn position on this budget given the complexity of the task of reforming systems and practices. Considerable work has been undertaken to ascertain the length of delay being experienced by the Council in receiving invoices from suppliers. Taking this into account, based on the first 5 months of the year, a projected year end overspend of £500,000 is forecast. This represents a reduction in expenditure of approximately £900,000 between 2005/06 and 2006/07 and excludes the impact of inflation.
- 2.2 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 £80,000 has been assumed. The income budget for 2006/07 was set in October 2006 which was before the impact of the review of care packages was known.
- 2.3 An overspend of £340,000 (2%) has been included for employees budgets within Adult Social Care. A review of salaries budgets within the service is planned for later in the financial year.
- 2.4 Overall there is an underspend of £176,000 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). It is recommended that in this year only this underspend be transferred to the Home Care budget.
- 2.5 The Financial Plan for 2006/07 includes savings of £200,000 following the closure of Tavistock Hostel. Further savings of £117,000 are available in the current year and it is assumed these savings will remain unused in 2006/07. The future use of the savings will be addressed as part of the 2007/08 Financial Plan process.
- 2.6 A number of assumptions have been made within the older people's service concerning the future of Edenham, the opening of Ellesmere and the block contracting of placements at James Hill House which is a new Extra Care Housing development. Based on these assumptions there is a projected overspend this year of £67,000 on residential, nursing and other living arrangements. It is possible that significant redundancy costs may arise when Edenham closes but no provision for such costs has been included in the financial projections. This is

because the number of staff likely to be made redundant and the terms of redundancy packages have yet to be agreed.

- 2.7 An underspend of £101,000 on Public Transport is mainly due to an underspend on the Taxicard budget which reflects the additional funding being provided by the London Mayor.
- 2.8 The underspend of £1,057,000 on Housing Needs and Homelessness comprises an underspend of £1,152,000 on Temporary Accommodation as a result of a higher income recovery than projected in the budget, an underspend of £15,000 on HALS rents partly offset by an overspend of £110,000 on Housing Needs salaries. The overspend on the Housing Needs salary budget is due to the team having a full establishment. A review of the overall Housing salary budget is planned to be undertaken during this financial year which may help to address this current overspend. 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 report will be prepared detailing progress on the initiatives and proposing a continuation for a further year into 2007/08.
- 2.9 The Commissioning Body for Supporting People has agreed a number of reductions of service costs as part of the ongoing review process. These reviews are estimated to produce savings of £533,000 in 2006/7. It is recommended that the underspend is transferred to the Supporting People Reserve to allow time for a savings strategy to be developed and implemented.
- 2.10 A shortfall in pest control income of £60,000 comprises £35,000 on pest treatment fees and £25,000 on pest control contracts. The service is currently bidding for several new contracts and, if these are awarded, the position in 2006/07 should improve. The shortfalls have resulted from a lower demand for domestic treatments than expected when the budgets were set and the loss of a major contract with the TMO in 2005/06.

Progress on growth and savings

- 2.11 The Financial Plan included additional income of £270,000 from charges for non-residential care services. Only two four-weekly billing runs have been undertaken since the new charging policy was implemented in June. However, initial 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 £80,000 has been assumed in this report, as explained in 2.2. 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.
- 2.12 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 been achieved therefore.
- 2.13 All other savings and growth proposals within the revenue budget are on track.

3. CAPITAL

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

Capital Budget Monitoring Report - HHASC								
Sep-06								
Description	Original Budget £'000	Annual Budget £'000	Budget Profile to quarter 2 £'000	Actual Exp to Date £'000	% Annual Budget Spent	Forecast Outturn £'000	Forecast Variance £'000	Slippage 2007/08
HRA Main Programme	25,515	25,515	12,758	9,767	38	23,802	-1,713	1,713
Regeneration	330	349	175	0	0	349	0	0
Disabled Facilities Grant	350	381	191	71	19	381	0	0
Renovation Grant	350	350	175	188	54	350	0	0
Lets Rent	30	30	15	13	43	30	0	0
Elm Park Gardens Basements	580	580	290	37	6	704	124	0
Stock Condition Survey	0	47	24	37	79	47	0	0
Compulsary Purchase Order	0	50	25	0	0	50	0	0
Sub Total - Housing	27,155	27,302	13,651	10,113	37	25,713	-1,589	1,713
Mortuary	45	49	25	0	0	0	-49	49
Replacement EHIS	69	179	90	32	18	179	0	0
Sub Total - Environmental Health	114	228	114	32	14	179	-49	49
Adult Social Care	9,691	9,900	4,950	315	3	9,271	-629	629
Sub Total - Social Services	9,691	9,900	4,950	315	3	9,271	-629	629
Total HHASC	36,960	37,430	18,715	10,460	28	35,163	-2,267	2,391
Financed By								
Loan (General Resources)	6,637	6,894				6,894	0	
ALMO Resources	7,344	7,344				7,344	0	
Contributions from Health	1,150	1,150				733	-417	417
Transport for London	53	50				50	0	
Developer Contributions	7,825	7,825				7,825	0	
RCCO	45	45				45	0	
SS Capital Reserve		212				0	-212	212
Use of other reserves	45	49				0	-49	49
Major Repairs Allowance	13,021	13,021				11,308	-1,713	1,713
HRA Revenue Contributions	50	50				50	0	
Capital Receipt	580	580				704	124	
Specific Grant	210	210				210	0	
Total	36,960	37,430				35,163	-2,267	2,391

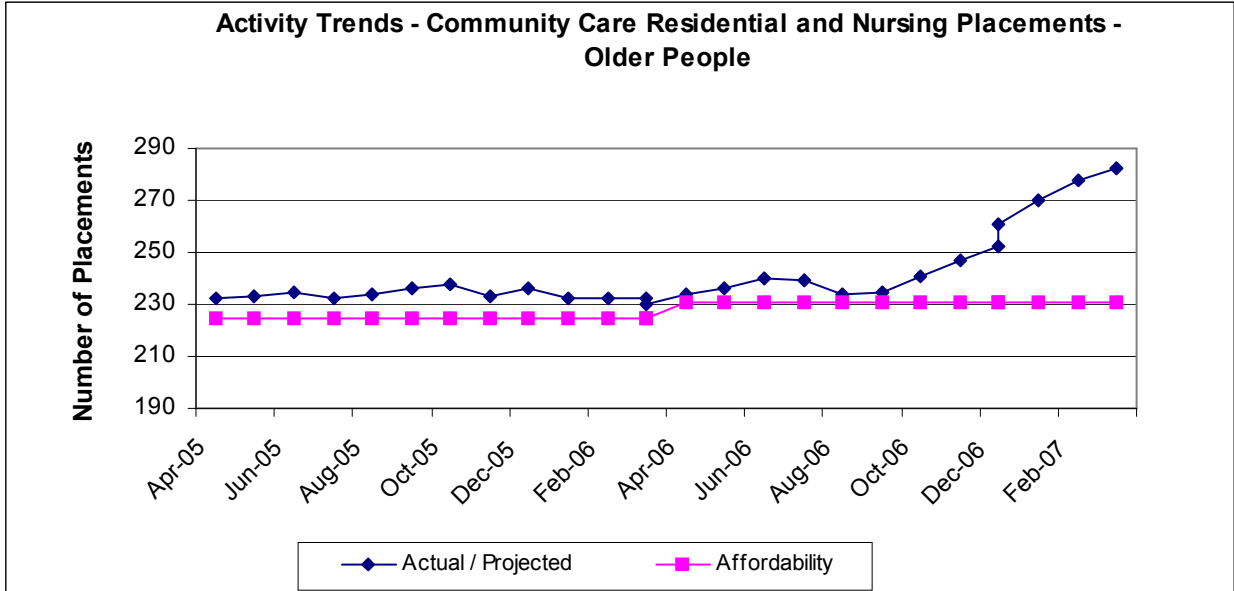
3.2 The HRA main programme at 30th September 2006 is projecting expenditure of £23.802m against an approved budget of £25.515m, which represents a projected underspend of 6.7% or £1,713,000. This forecast has taken account of all schemes that can be reasonably brought forward from subsequent years. This forecast included the omission of £876,000 of expenditure that has been assessed as "high risk". The TMO will however continue to press on with these projects and attempt to recover some of this underspend. The main variances and risks are outlined below:

- (i) Trellick Tower – the revised strategy for the external works was ratified by the Council at the beginning of September. The delay in receiving this approval has resulted in work being rescheduled to start on site next year. This results in an underspend of £278,000.
- (ii) Decent Homes, Partnering Contracts, Tranches 1-3 is now predicted to be in line with the reprofiled 2006/07 original budget. The annual forecast is for expenditure of £6.421m in comparison to the budget of £6.270m, an overspend of £151,000 (2%).
- (iii) Decent Homes, Phase 1 of Tranche 4 (some 600 properties) is now underway with an agreed maximum price approaching £4m against the budgeted expenditure this year of £5.2m. Even allowing for access problems, it is felt that sufficient work (subject to agreeing the procurement route) is available for the spend target to be met this year. The main issue, once all the work is fully priced, is whether it can be contained within the total remaining Tranche 4 budget of £6.37m. This issue is being considered as part of the upcoming capital budgeting process.
- (iv) Elm Park Gardens - the original budget for the start of the year was set at £5.7m (works £5.32m, fees £250,000, head office management costs £130,000). The project has been subject to a number of complexities in both structural and legal (party wall) matters. It is unlikely that at this stage, that time lost can be recovered within the year and hence the projected spend (total) has been reduced to £4.7 million – an underspend of £967,000 in year.
- (v) Holland and Elsham Estate (Roof/Decorations) – analysis of the tenders returned for this project indicated that the second lowest tenderer had made a serious error in calculating their prices. Investigation of this has delayed the project and pushed it into the Christmas period which has had a disproportionate impact on the in-year spend. This results in a projected underspend of £602,000 in 2006/07.

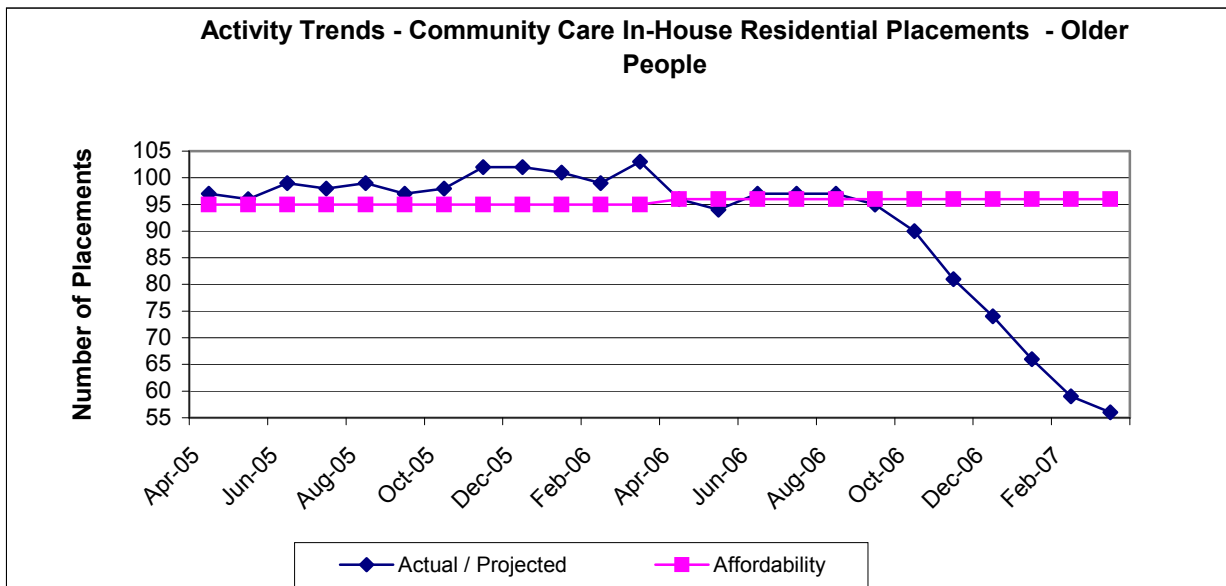
- 3.3 The projected overspend on Elm Park Gardens Basements is due to the works starting earlier than had been assumed. The scheme remains within the total budget provision and will be funded from capital receipts.
- 3.4 The majority of the actual expenditure on the Ellesmere scheme will not be incurred until the 4th quarter of 2006/07. The projected underspend on Adult Social Care is mainly due to a number of provisions relating to the Ellesmere Scheme not being required in 2006/07 as had been assumed when the 2006/07 Capital Programme was agreed. It is assumed that these provisions will be required in subsequent years.

4. KEY TRENDS, COST DRIVERS AND LEAD INDICATORS

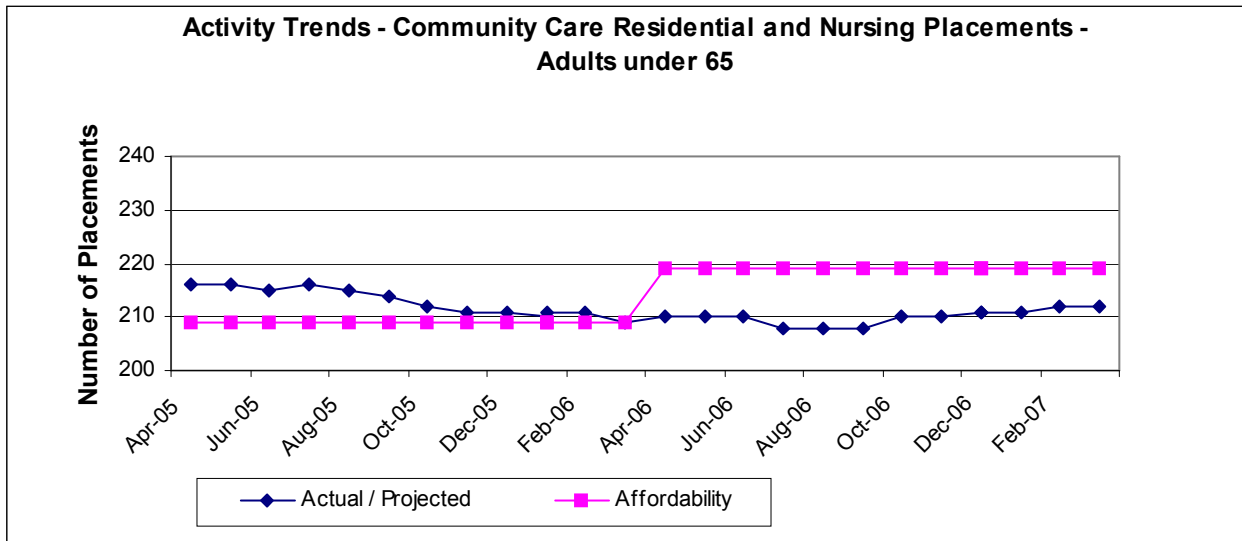
4.1 The following graphs show actual and expected activity from April 2005 on a number of volatile budgets:



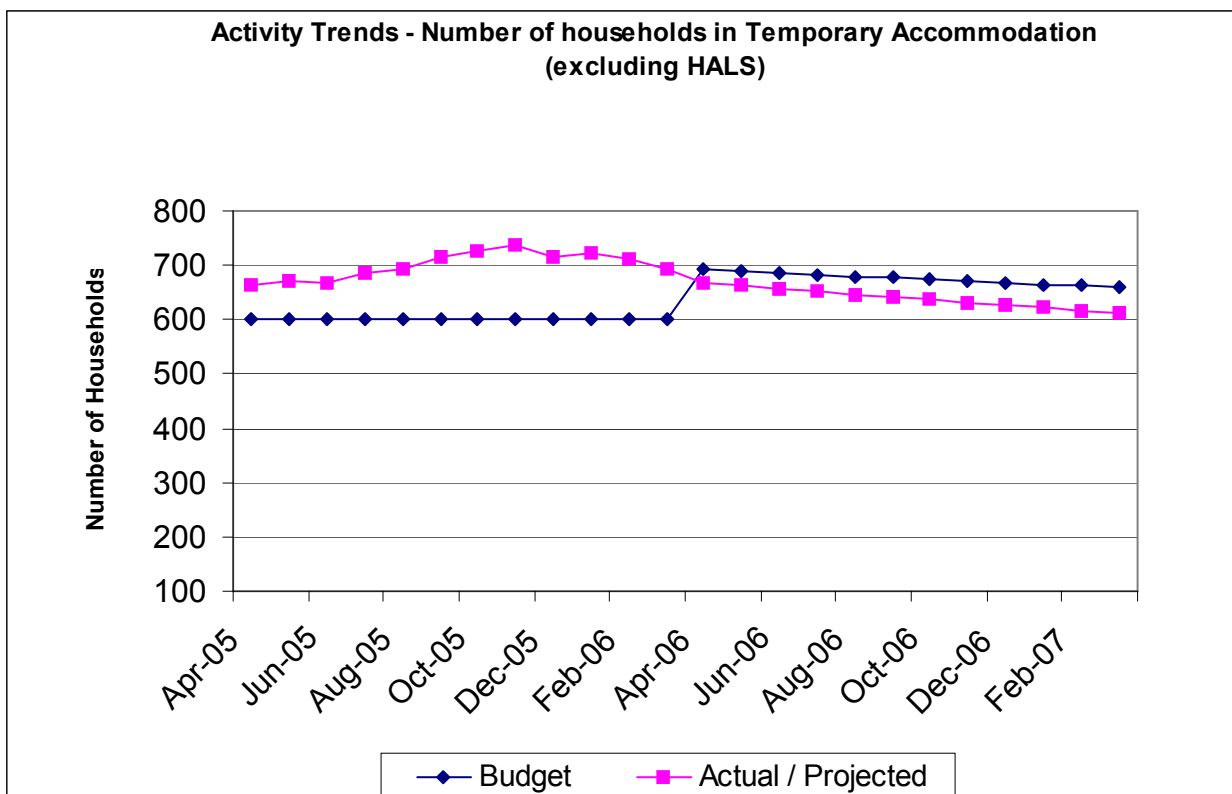
This graph shows only the numbers of placements in the independent sector. The increase in the numbers of cases expected to be supported from October 2006 is due to the assumed closure of the Edenham home.



This graph shows the number of placements in in-house homes. The decrease in the numbers of cases expected to be supported from October 2006 is due to the assumed closure of the Edenham home.



In 2006/07 the actual number of cases assumed to be supported is less than the current budget provision.



In 2006/07 the numbers of households is reducing and is less than assumed when the 2006/07 budget was set.

4.2 The following table show the expenditure to the end of May on employee budgets:

Staff Costs Budget Monitoring August 2006							
Service	Annual Budget £'000	Budget to Date £'000	Spend to Date £'000	Variance Budget to Date £'000	Variance Budget to Date %	Agency Staff and Overtime Spend £'000	Agency Staff and Overtime as % of Total
Adults Social Care	16,516	6,881	6,692	-189	-2.7%	657	9.8%
Housing Functions	2,349	979	1,071	92	9.4%	1	0.1%
Executive Function	2,320	967	1,091	124	12.9%	55	5.0%
Environmental Health	4,000	1,667	1,751	84	5.1%	66	3.8%
Total	25,185	10,493	10,605	112	1.1%	779	7.3%

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

5 PERFORMANCE INDICATORS

5.1 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%			79.6%

5.2 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	Q1 06/07	Q2 06/07	Q3 06/07	Q4 06/07	Cum. Yr to Date
Older People	£652	£691				
Adults under 65	£950	£936				

6 RECOMMENDATIONS

6.1 It is recommended that:

- (i) the underspend on the Supporting People budget be transferred to the Supporting People Reserve;
- (ii) a draw down of £120,000 be requested against the Repairs and Renewals Fund in 2006/07 to fund the projected overspend on the IT budget within Adult Social Care;
- (iii) a one off virement of £176,000 be agreed between the Under 65's Placements Budget and the Home Care Budget;
- (iv) the provision for the Elm Park Gardens Basements scheme in the Capital Programme be increased by £124,000 in 2006/07, to be funded from capital receipts;
- (v) the capital budget for the HRA Main Programme in 2006/07 be revised to £23.802 million in line with the projected outturn;
- (vi) should negotiations with the PCT result in a projected overspend for the Business Group, then a release from the Corporate Contingency be approved to meet this overspend.

**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 £'000	Projected Outturn £'000	Variance £'000
<u>TMO Management Fee</u>	11,844	11,844	0
<u>TCC Managed Budgets</u>			
<i>Expenditure</i>			
Repairs and Maintenance			
Planned Maintenance	5,807	5,851	44
Response Repairs	5,165	5,095	-70
Area Revenue Works	396	396	0
Planned Response Repairs	210	210	0
Electricity, Heating and Water	2,002	2,577	575
Contract Cleaning	1,651	1,671	20
Pest Control	153	122	-31
Refuse Collection	181	180	-1
General Management	315	382	67
Notting Hill Carnival	95	119	24
Provision for Bad and Doubtful Debts	650	650	0
<i>Income</i>			
Rental Income			
Dwelling Income	-29,635	-29,092	543
Commercial Property Income	-1,900	-1,939	-39
Garage Income	-586	-586	0
Charges for Services & Facilities	-5,139	-5,449	-310
Major Works Service Charges	-4,308	-3,023	1,285
Grants/contributions	-366	-366	0
Heating and Hot Water	-1,521	-1,733	-212
<i>TCC Managed Budget</i>	-26,830	-24,935	1,895
<u>Council Managed Budgets</u>			
<i>Expenditure</i>			
Capital Charges	19,282	18,928	-354
Recharges & Central Support Services & Recharges	1,015	1,025	10
Insurance	815	815	0
Miscellaneous Budgets	132	132	0
<i>Income</i>			
Housing Subsidy	-7,976	-8,196	-220
Interest Income	-875	-875	0
<i>Council Managed Budgets</i>	12,393	11,829	-564
Total HRA Budget	-2,593	-1,262	1,331
Working Balance b/fwd	-2,552	-2,552	0
Contribution to (-) or from(+) Working Balance	-2,593	-1,262	1,331
Working Balance c/fwd	-5,145	-3,814	1,331

The table shows there is a projected overspend on the HRA of £1,331,000 compared to the original budget. This is mainly due to the following:

TCC Managed Budgets

The overall forecast outturn position for the HRA (TCC managed) budgets for 2006/07 is for net income of £24.935m, which represents a £1.895m overspend in comparison to the original budget of £26.830m. Significant variances between the forecast outturn position and the original budget are explained further below.

Electricity, Heating and Hot Water – as reported previously, the projected £575,000 overspend arises from the 54% increase in the price of gas as per the new central boiler contract that runs from August 2006 to July 2007. See also *Heating and Hot Water Income* (as reported below).

General Management – a Key Decision Report has now been approved which accepts an in-year increase in water and sewerage rates charged to tenants. The proposal accepted will result in an estimated under recovery of rates charged to tenants of £107,000 in 2006/07 and this loss is now recognised within the annual forecast. This loss is offset by a projected underspend on NNDR costs which gives rise to the overall £67,000 forecast overspend on general management.

Dwelling Income / Charges for Services – 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 variance of an under recovery of £233,000 represents just 0.7% of the combined budgets. The variance arises principally because rents and service charges raised at the end of February 2006 are marginally lower than those anticipated at the time the original budget was set.

Major Works Service Charges (Leaseholders) – there is a projected £1.285m under recovery of these charges to Leaseholders in 2006/07 in comparison to the original budget of £4.308m. This variance results from the incorporation of the latest available Capital Programme monitoring data within the calculation of Major Works Charges. The original budget was set based on the latest monitoring data that was available in November 2005. As reported previously, the two most significant changes in projected charges relate to Trellick Tower and Elm Park Gardens Capital schemes. The £199,000 reduction in anticipated income in comparison to the Quarter 1 report, arises from a further reduction of £134,000 in 2006/07 charges on Trellick Tower and a £72,000 reduction on Wiltshire close lifts, where the project start date has been delayed.

Heating and Hot Water Income – in the light of the projected cost increase in electricity, heating and hot water expenditure, as previously reported, an increase in charges to tenants to recover these additional costs has now been approved. Charges are set to increase for relevant tenants from the beginning of October.

Council Managed Budgets

The overall forecast outturn position for the HRA (Council Managed) budgets for 2006/07 is for net expenditure of £11.829m, which represents a £564,000 underspend in comparison to the original budget of £12.393m. Significant variances between the forecast outturn position and the original budget are explained further below.

Capital Charges – a decrease in the projected interest rate from that assumed when the budget was set has reduced the Capital Charges by £354,000.

Housing Subsidy - the projected subsidy receivable has increased by £220,000 from that reported in quarter 1 as a result of an additional £469,000 Rental Constraint Allowance. This has been partly offset by a £249,000 reduction in subsidy receivable due to a decrease in the projected interest rate from that assumed when the budget was set.