

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET 26 APRIL 2007

**REPORT OF THE EXECUTIVE DIRECTOR FOR FINANCE,
INFORMATION SYSTEMS AND PROPERTY**

BUDGET MONITORING 2006/07 – QUARTER 4

NON-DEPARTMENTAL BUDGETS

SUMMARY

REVENUE BUDGET

Non-departmental budgets expect to overspend **£1.682** million by the year-end.

£1.0 million of the overspend relates to the decision approved by the Cabinet in the quarter 3 Budget Monitoring Report to transfer £8.0 million to the Capital Expenditure Reserve offset by virements of £7.0 million from forecast budget variations.

Interest and Investment income is forecast to be £0.7 million less than the adjusted budget. This is due to a reduction in the level of balances and an anticipated increase in the share of interest due to non General Fund services.

The Local Authority Business Growth Incentive (LABGI) Scheme allocations have now been announced for 2006/07. The Royal Borough will receive £6.7 million which will be transferred to an earmarked reserve for strategic regeneration as agreed by Cabinet at quarter 3.

CAPITAL BUDGET

Capital receipts to the end of December 2006 amount to £3.5 million (94.4% of the annual budget).

FOR INFORMATION

Revenue Budget Monitoring Report - Non-Departmental Budgets							
March 2007							
Description	Annual Budget £'000	Spend to date £'000	Spend to Date %	Projected Outturn £'000	Variance £'000	Variance %	RAG Status
Contingency and Central Budgets	30	0	0%	12	-18	-60.0%	Green
Transfer to Asset Mgt Revenue A/c	4,117	3,774	92%	4,117	0	0.0%	Green
Interest and Investment Income	-9,900	-8,400	85%	-9,200	700	-7.1%	Red
Pension Fund Liabilities	6,424	5,889	92%	6,424	0	0.0%	Green
Capital Financing Res incl MRP	-1,921	-1,921	100%	-1,921	0	0.0%	Green
Transfer to/from capital reserves	5,653	5,653	100%	5,653	0	0.0%	Green
Transfer to/from revenue reserves	21,647	15,940	74%	22,647	1,000	4.6%	Amber
Levies	3,379	3,379	100%	3,379	0	0.0%	Green
Local Authority Business Growth Incentives	-6,707	0	0%	-6,707	0	0.0%	Green
Formula Grant Adjustments - prior years	38	38	100%	38	0	0.0%	Green
Total	22,760	24,352	107%	24,442	1,682	7.4%	Red

RAG Status (on net budget):

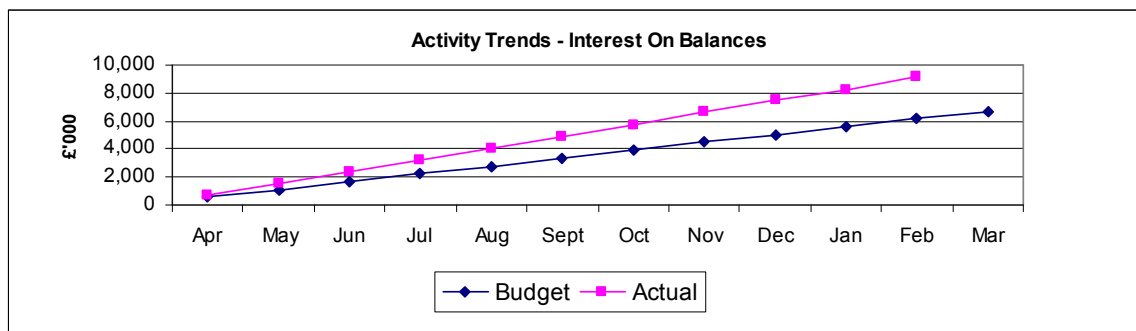
Red = £100k+ variance and over +/-5%

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

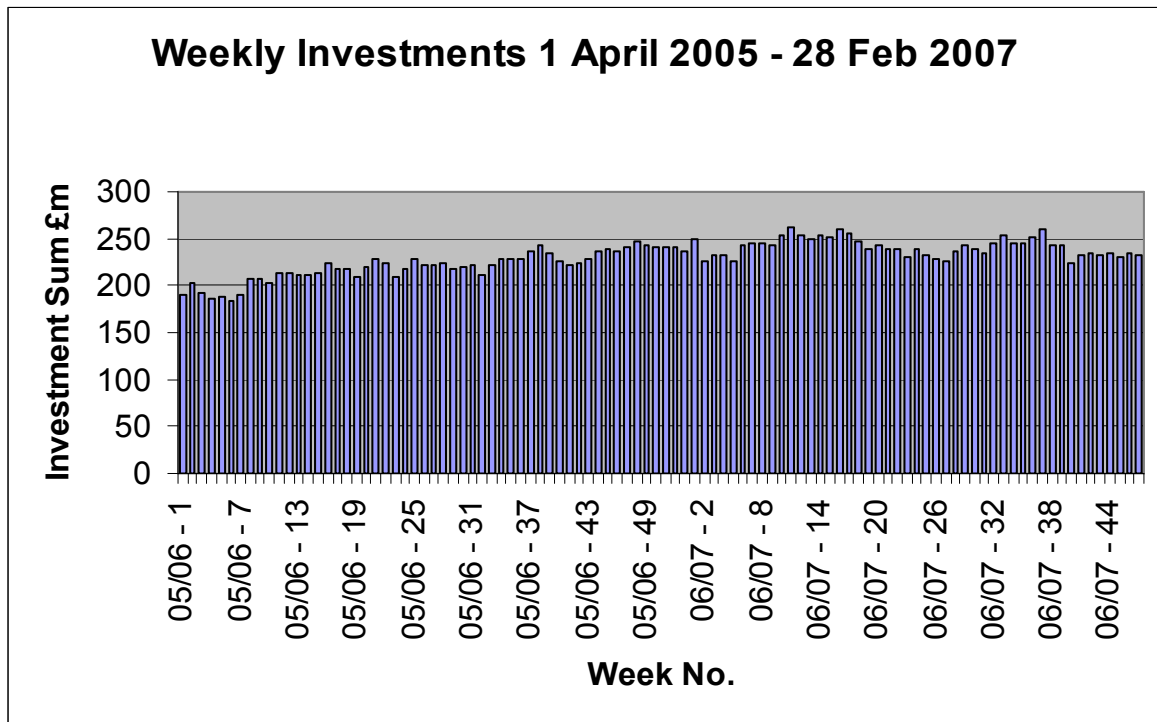
Green = under £100k variance or under +/-3%

1 KEY TRENDS, COST DRIVERS AND LEAD INDICATORS

1.2 The following graph shows performance of interest and investment income against the original budget to the end of February.



- 1.3 The following graph shows the level of cash investments to the end of February.



2 PERFORMANCE INDICATORS

The tables below show the monitoring of key balance sheet items and cash investment performance.

2.2 Long Term Loans Outstanding

Q1 05/06 £M	Q2 05/06 £M	Q3 05/06 £M	Q4 05/06 £M	Q1 06/07 £M	Q2 06/07 £M	Q3 06/07 £M	Q4 06/07 £M
212.5	211.7	215.2	230.1	230.1	226.6	225.0	225.0

2.3 Cash Investments

Q1 05/06 £M	Q2 05/06 £M	Q3 05/06 £M	Q4 05/06 £M	Q1 06/07 £M	Q2 06/07 £M	Q3 06/07 £M	Q4 06/07 £M
207.3	221.7	226.4	237.0	249.0	227.3	243.6	231.0

2.4 Annualised Returns on Investments

Q1 05/06 %	Q2 05/06 %	Q3 05/06 %	Q4 05/06 %	Q1 06/07 % *	Q2 06/07 %	Q3 06/07 %	Q4 06/07 %
RBKC In House							
4.88%	4.73%	4.61%	4.58%	4.59%	4.70%	4.92%	5.15%
Investec							
5.92%	4.36%	4.60%	4.35%	3.44%	3.84%	4.28%	4.86%
Alliance							
5.04%	4.56%	4.63%	4.22%	3.46%	-	-	-
SWIP							
-	-	-	-	3.9%	5.04%	5.36%	4.80%

- Alliance ceased to operate as a fund manager at the end of April 2006. Funds were transferred to SWIP on the 19 June 2006.

3 MOVEMENTS IN RESERVES

Reserve movements actioned during the final quarter of the year are set out in the table below:-

Reserve	Amount Agreed £'000	Details
FAMILY AND CHILDREN'S SERVICES		
Supporting People Reserve	- 56	Transfer to Reserve of underspend to allow savings strategy to be developed and implemented (agreed q3, implemented q4)
Carry Forward Reserve	5	Release from reserve to fund projects which have slipped from previous years
TRANSPORT, ENVIRONMENTAL AND LEISURE SERVICES		
Car Parking Reserve	- 1,600	Transfer of net underspending for on-street parking to Car Parking Reserve (agreed q3, implemented q4)
Severance Reserve	80	Release to fund retirement commitments
Carry Forward Reserve	10	Release from reserve to fund projects which have slipped from previous years
CORPORATE SERVICES		
Renewals and Repairs Reserve	112	Release to meet cost of Mayoral vehicle
NON DEPARTMENTAL BUDGETS		
Capital Expenditure Reserve	- 8,000	Transfer to reserve to partially meet the cost of pipeline projects (agreed q3, implemented q4)
Strategic Regeneration Reserve	- 6,707	Transfer to reserve of LABGI grant allocation to meet costs of strategic regeneration projects (agreed q3, implemented q4)
	- 12,744	

4 CAPITAL

A proportion of capital receipts from the sale of assets and repayment of loans can be used to fund new capital spending. The table below shows the estimated and actual achieved to date (gross not usable proportion). Right to Buy sales are running well ahead of the annual budget.

CAPITAL RECEIPTS 2006/07

RECEIPTS	2006/07 ANNUAL BUDGET £'000	APRIL 2006 - FEBRUARY 2007			
		PROFILED BUDGET £'000	ACTUAL RECEIPTS £'000	VARIANCE £'000	% OF ANNUAL BUDGET RECEIVED
Right-to-buy Sales	1,500	1,375	2,433	(1,058)	162.17
Other Sales	2,086	1,912	1,013	899	48.54
Other Receipts	70	64	7	57	9.66
TOTAL	3,656	3,351	3,452	(101)	94.42

The position on usable capital receipts to the end of February is set out in the table below.

	£'000
Usable Capital Receipts as at 1 April 2006	1,967
Usable Receipts Received 2006/07 to February 2007	1,627
Total Usable Capital Receipts to February 2007	3,594

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