

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA**  
**CABINET AND CORPORATE SERVICES SCRUTINY COMMITTEE**  
**18 JULY 2016**

**REPORT BY THE TOWN CLERK**

**CORPORATE SERVICES**  
**PROVISIONAL REVENUE AND CAPITAL OUTTURN 2015-16**

**1 INTRODUCTION**

- 1.1 The accounts for 2015-16 are substantially closed, although they are still subject to external audit. This report sets out variations from the final revenue and capital budgets for Corporate Services. It provides explanations of significant under/overspendings and under/over achievement of income. The report also sets out proposals for carry forwards of underspends into the current financial year (2016-17).

**2 REVENUE OUT-TURN**

- 2.1 The gross expenditure of Corporate Services is £245 million. The largest component of this is Housing Benefit payments supported by subsidy of £144 million with a net under spend of £0.9 million. The final net revenue expenditure position for Corporate Services shows an overall underspend of £1.7 million (0.7 per cent compared with the final gross revenue budget). The variance excluding benefits (£0.8 million underspend) equates to 0.9 per cent of gross expenditure.

	<b>Gross Spend</b> <b>£'000</b>	<b>Income</b> <b>£'000</b>	<b>Net</b> <b>£'000</b>
<b>Final Budget</b> (please see Annex A for calculation)	233,854	215,778	18,076
<b>Actual Expenditure 2015-16</b>	244,558	228,223	16,335
<b>Variation (£'000)</b>	10,704	<b>-12,445</b>	<b>-1,741</b>
<b>Variation (per cent)</b>	4.6%	-5.8%	-9.6%

- 2.2 A detailed list of the main variations is included in **Annex B1** and **Annex B2**. The most significant variations are shown in the following paragraphs.
- 2.3 **Customer Access** had an under spend of £719,000 (0.5 per cent of gross spend budget). Major variations include:
- A net underspend of £911,000 on the cost of benefits. This is due to a favourable outcome on benefit payments made over subsidy received from the Department for Work and Pensions.
  - £664,000 overspend due to an increase in the bad debt provision made, arising from increased overpayments of benefits.
  - £223,000 underspend due to increased Government grants accessed. These include Welfare Reform, New Burdens, Data Sharing and the Fraud and Error Reduction Incentive Scheme (FERIS).
  - £122,000 underspend due to a change in the accounting for NNDR discretionary relief payments.
  - £98,000 reduction in third party payments.
- 2.4 The **Fraud, Internal Audit and Risk Management** service underspent by £529,000 (37.5 per cent of gross budget). This was made up of:
- Unspent DCLG grant of £175,000. £115,000 of this has been carried forward.
  - Net underspend of £245,000 in remaining Corporate Investigations Group budgets. A significant proportion of this is due to delayed recruitment of staff.
  - Net underspend of £93,000 in Audit budgets.
- 2.5 **Information Systems** had an overspend of £308,000 (4.6 per cent of gross budget). Major variations include:
- Overspend of £146,000 in software license costs.
  - Wi-Fi and Development Team income shortfall of £89,000.
  - Overspend of £81,000 in hardware and software costs.
- 2.6 **Innovation and Change Management** had an overspend of £284,000 (71.0 per cent of gross budget) due primarily to delayed s113 charges relating to 2013-14 and 2014-15.
- 2.7 Significant variations on these budgets have already been highlighted in previous revenue budget monitoring reports to the Cabinet. The Quarter 4 report projected an underspend for the service of £0.2 million.

2.8 The current year's (2016-17) budget setting has already taken into account a number of areas of underspending which have assumed to continue into later years. The main items are

- Reductions in Customer Access costs - £636,000
- Reduced running costs of the Council's property - £497,000
- Increased income from property lettings - £1,887,000

2.9 A review of further budget variances will form part of the Council's budget planning for the coming financial year (2016-17).

### **3 SLIPPAGE REQUESTS**

The underspend includes a number of items that have slipped and budget will be carried forward to 2016-17. This amounts to a total of £290,000 as set out in detail in **Annex C**.

### **4 CAPITAL EXPENDITURE**

4.1 The expenditure compared to the current budget for each capital project is summarised in the table below. It is proposed to carry forward £22.707 million for expenditure that has slipped between years.

Project	Annual Budget	Actual Spent	Variation	% of Budget Spent	Carried Forward 2016-17
	£'000	£'000	£'000		£'000
Office Accommodation (SPACE)	438	128	- 310	29%	-
KTH Air Handling Units	232	34	- 198	15%	198
KTH Roof Survey and Repairs	300	-	- 300	0%	300
KTH Busbars Installation	1,163	253	- 910	22%	910
KTH Replacement of Chillers	150	-	- 150	0%	150
KTH Engineering work	250	-	- 250	0%	250
Air Conditioning System replacement	187	157	- 30	84%	30
KTH Lifts Refurbishments	223	45	- 178	20%	178
KTH Boilers and Central Heating works	150	26	- 124	17%	124
Refurb Town Hall Public areas (KTH1)	346	268	- 78	77%	78
Kensington Conference and Events centre (KTH 2)	300	300	-	100%	-
COTH Partial Refurbishment works	300	109	- 191	36%	191
RBKC Energy Saving projects	715	272	- 443	38%	443
KTH Room G29 Location Improvement works	500	46	- 454	9%	454
KTH Car Park Improvements	100	-	- 100	0%	100
Carlisle Building Fabric and Plant	500	442	- 58	88%	58
Malton Road Hub	466	375	- 91	80%	91
Pembroke Road Internal Refurbishment	52	52	-	100%	-
Pembroke Road Leaseholder Buyout	8,275	3,181	- 5,094	38%	5,094
Pembroke Road Planning costs	500	-	- 500	0%	500
Latimer Road Unit 12, W10 - Freehold Acquisition	1,797	1,735	- 62	97%	62
North Kensington Library and Youth Centre	312	70	- 242	22%	242
Asset Management Plan	51	-	- 51	0%	51
Belvedere Restaurant	100	61	- 39	61%	39
Information Systems projects	483	505	22	105%	22
Edenham Way Scheme	381	358	- 23	94%	23
74 Golborne Road - change of use	400	154	- 246	39%	246
Silchester Garage Site - Acquisition of Retail Unit	1,404	-	- 1,404	0%	1,404
Westway Information Centre Refurb	324	151	- 173	47%	173
Acquisition of Pig & Whistle	1,036	1,036	-	100%	-
Tabernacle - Landlord Premises Costs	113	113	-	100%	-
Miscellaneous Projects - Revenue Funded	55	55	-	100%	-
<b>Sub-Total Corporate Services Capital Programme</b>	<b>21,603</b>	<b>9,926</b>	<b>- 11,677</b>	<b>46%</b>	<b>11,367</b>
<b>Corporate Property - Children's Services Projects</b>					
Holland Park School - Redevelopment/Design	696	18	- 678	3%	678
Middle Row Primary School	183	144	- 39	79%	39
Kensington Academy Scheme Development	991	641	- 350	65%	350
Marlborough Primary & Denyer Street	7,400	5,454	- 1,946	74%	1,946
Olive House	194	35	- 159	18%	159
Fox Primary School Expansion	5,741	1,321	- 4,420	23%	4,420
St.Anne's Nursery School Re-location to Avondale Primary School	1,233	505	- 728	41%	728
Barby MasterPlan	909	616	- 293	68%	293
Colville Primary School Expansion	210	96	- 114	46%	114
Other property capital works	1,633	944	- 689	58%	689
<b>Sub-Total Children's Services - Managed by Corporate Properties</b>	<b>19,190</b>	<b>9,774</b>	<b>- 9,416</b>	<b>51%</b>	<b>9,416</b>
<b>Corporate Property - Libraries Archives and Heritage Projects</b>					
Central Library - Condition Works	1,669	1,193	- 476	71%	476
Other property capital works	15	7	- 8	49%	8
<b>Sub-Total Libraries Archives and Heritage - Managed by Corporate Properties</b>	<b>1,684</b>	<b>1,200</b>	<b>- 484</b>	<b>71%</b>	<b>484</b>
<b>Corporate Property - Adult Social Care Projects</b>					
Ellesmere - Snagging Work	6	2	- 4	33%	4
Adult Social Care Day Centre Re-provision	300	143	- 157	48%	157
<b>Sub-Total Adult Social Care - Managed by Corporate Properties</b>	<b>306</b>	<b>145</b>	<b>- 161</b>	<b>47%</b>	<b>161</b>
<b>Corporate Property - Environment, Leisure and Residents' Services</b>					
Lots Road Depot	69	1	- 68	1%	68
Kensington Leisure Centre - New Building	1,438	233	- 1,205	16%	1,205
Holland Park Stable Yard Improvements	24	18	- 6	75%	6
<b>Sub-Total Environment, Leisure and Residents' Services - Managed by Corporate Properties</b>	<b>1,531</b>	<b>252</b>	<b>- 1,279</b>	<b>16%</b>	<b>1,279</b>
<b>Total</b>	<b>44,314</b>	<b>21,297</b>	<b>- 23,017</b>	<b>48%</b>	<b>22,707</b>
<b>Financed By</b>					
Capital Expenditure Reserve	183	144	- 39	79%	39
CS Capital Expenditure reserve	12	-	- 12	0%	12
Other Reserves	98	73	- 25	74%	25
Contributions Other	6,720	6,426	- 294	96%	294
Earmarked Capital Receipts	9,902	3,538	- 6,364	36%	6,364
Revenue Funded	55	55	-	100%	-
General Resources	27,344	11,061	- 16,283	40%	15,973
<b>Total</b>	<b>44,314</b>	<b>21,297</b>	<b>- 23,017</b>	<b>48%</b>	<b>22,707</b>

- 4.2 There have been delays on the various maintenance projects at Kensington Town Hall, with slippage of £2,240,000 into 2016-17.
- 4.3 The purchase of properties under the Pembroke road leaseholders project has progressed, but not as quickly as originally anticipated. The purchase of four units was completed in 2015-16, meaning planned spending of £5,094,000 will now take place in 2016-17 and future years.
- 4.4 Delays in the purchase of the leaseholder units have meant that the closely related Pembroke Road planning costs project has also slipped, with £500,000 moving into 2016-17.
- 4.5 The purchase of the Silchester Garage site (Acquisition of retail unit) was scheduled for completion in late 2015-16 however this has been delayed due to ongoing negotiations over utility issues. Therefore expenditure of £1,404,000 will now fall into 2016-17.
- 4.6 Due to delays in making good defects at Holland Park School and the Kensington Academy, the retention payment on these schemes will not be paid until 2016-17.
- 4.7 The Marlborough Primary and Denyer Street scheme started on site in 2015-16. However due to the start being later than initially planned, spending of £1.946 million will slip into 2016-17 and future years.
- 4.8 The Fox School expansion scheme has now started work on site. This was delayed due to prolonged planning discussions and spending of £4.420 million will now take place in 2016-17 and future years.
- 4.9 The St. Anne's Nursery School Re-location to Avondale Primary School scheme has now started work on site. Spending of £728,000 will occur in 2016-17 and subsequent years based on a re-profiled cash-flow.
- 4.10 On all other Children's Services flagship projects spending of £605,000 will slip into 2016-17 and future years, due to minor delays.
- 4.11 All other Children's Services Property capital schemes will have spending of £689,000 slipped into 2016-17 and subsequent years. Most of this relates to under spends of £304,000 on the School's General Maintenance Programme and £187,000 on the Asbestos in Schools' Programme.

- 4.12 Practical completion on the Central Library - Condition Works was delayed due to changes in the Doctor's surgery specification and spending of £476,000 will slip into 2016-17.
- 4.13 The project start date on the Chelsea Adult Social Care Day Centre Re-provision was delayed due to a prolonged procurement and approval process for the main contractor and consultants and spending of £157,000 will now take place in 2016-17 and future years.
- 4.14 The Kensington Leisure Centre - New Building project's end of defect period was in mid-February 2016. However latent defects are still being addressed. Liquidated and Ascertained Damages are likely to be applied to the contractor for late completion of the project and spending of £1.205 million is now anticipated to take place in 2016-17.

FOR INFORMATION

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Background papers used in preparing the report:  
Closing working papers 2015/16

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## ANNEX A

### CALCULATION OF FINAL BUDGET

	<b>Gross Spend</b>	<b>Income</b>	<b>Net</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Original Budget 2015-16</b>	<b>229,651</b>	<b>214,697</b>	<b>14,954</b>
<b>Subsequent Changes:-</b>			
Carry Forwards from previous years	265+		265+
Capital Charge Variations	520+		520+
Transfers between Business Groups	1,291+	1,385+	94-
Pension Fund Current Service Adjustment *‡	1,408+	0+	1,408+
Virements within BG	1,108-	1,108-	0+
Transfers to/from Reserves and Contingencies #	1,827+	377+	1,450+
Capitalisation of Revenue Spend		427+	
<b>Total Changes</b>	<b>4,203+</b>	<b>1,081+</b>	<b>3,122+</b>
<b>Final Budget 2015-16</b>	<b>233,854</b>	<b>215,778</b>	<b>18,076</b>

\*Pension Fund Current Service adjustments are the IAS19 Employee Related Costs (pensions element) figures.

# Represents one-off budgets funded by release from the Council's General Fund Reserves.

‡ Technical budget adjustments representing accounting entries that have no effect on the Council's bottom-line expenditure.

## ANNEX B1

### SERVICE VARIATIONS SUMMARY 2015-16

<b>Revenue Budget Monitoring Report - Corporate Services Final Outturn</b>				
	Annual Budget £'000	Actual Spend 2015-16 £'000	Var. £'000	Var. %
<b>Budgets Controlled by Corporate Services</b>				
Financial Services	2,842	2,567	-275	-9.7%
Fraud, Internal Audit and Risk Management	1,094	565	-529	-48.4%
Customer Access	6,520	5,801	-719	-11.0%
Information Systems	6,076	6,384	308	5.1%
Corporate Property:	6,431	6,154	-277	-4.3%
Legal Services	100	0	-100	0.0%
Strategy and Local Services	10,089	9,723	-366	-3.6%
Human Resources	2,359	2,292	-67	-2.8%
Innovation and Change Management	401	685	284	70.8%
Managed Services	2,859	2,859	0	0.0%
<b>Total Budgets Controlled by Corporate Services</b>	<b>38,771</b>	<b>37,030</b>	<b>-1,741</b>	<b>-4.5%</b>
Budgets not controllable by Service	-20,695	-20,695	0	0%
<b>TOTAL</b>	<b>18,076</b>	<b>16,335</b>	<b>-1,741</b>	<b>-9.6%</b>



## Annex B2

### EXPLANATION OF 2015-16 VARIATIONS BY SERVICE

	<b>Spending Variations £'000</b>	<b>Income Variations £'000</b>	<b>Amount Carried Forward £'000</b>
<b>FINANCIAL SERVICES</b>			
Reduction in payments to the London Pensions Fund Authority following actuarial valuation	-153		
Underspend in employers/public liability insurance	-48		
Underspend on Carbon Reduction Allowance	-58		
Overspend in bank (debit/credit card) charges	132		
Underspend in Audit fees	-39		75
Other variations	-22	-87	
<b>Net underspending £275,000</b>			<b>100</b>
<b>FRAUD, INTERNAL AUDIT AND RISK MANAGEMENT</b>			
Overspend in Internal Audit team expenditure budgets offset by contributions towards expenditure from LBHF and WCC	237	-330	
Insurance team income and expenditure variance	71	-89	
Fraud team income and expenditure variance	104	-349	
Unspent DCLG grant		-175	115
Other variations		2	
<b>Net underspending £529,000</b>			
<b>CUSTOMER ACCESS (incl Revenue and Benefits)</b>			
Benefit payments in excess of budget offset by subsidy received from DWP	4,684	-5,595	
Local Support Fund Schemes	-134	107	
Bad Debt Provision above budgeted levels	664		
Non-conditional grants: Welfare Reform; New Burdens; Data Sharing; Fraud and Error Reduction Incentive Scheme (FERIS)		-223	
Reduction in NNDR Discretionary Relief payment	-122		
Underspend in Third Party payments	-98		
Other variations	-34	32	
<b>Net underspending £719,000</b>			
<b>INFORMATION SYSTEMS</b>			
Income shortfall (Wi-Fi and Development Team)		89	
Overspend in hardware/software related costs	81		
Telephony costs incurred and recovered	221	-258	
Overspend in licences costs (including RBKC Enterprise Agreement)	146		
LBHF and WCC enterprise agreement licence cost/recovery and other shared management costs	802	-860	
Legal charges	53		
Other variations	46	-12	
<b>Net overspending £308,000</b>			

**PROPERTY SERVICES**

Underspend on Operational Properties energy budgets	-760	
Printing and Reprographics overspend	114	
Planned and Reactive Maintenance overspend	320	
Cost/Income arising from accommodation shared with LBHF/WCC	231	-1009
Conference and Events income and expenditure variance	125	-33
Employee costs above budget	430	
Commercial properties (General Fund) income and costs in excess of budget	434	-281
Working from Anywhere project spend	245	-113
TFM Framework costs/recovery	50	-50
Other variations	117	-97

**Net underspending £277,000****LEGAL SERVICES**

Shared legal services costs/income with Tri-Borough partners	1075	-1494
Supplies and Services (incl Legal charges) spend above budget	316	
Employee costs in excess of budget	83	
Other fees and charges		-80

**Net underspending £100,000****STRATEGY AND LOCAL SERVICES**

Registrars income and expenditure variance	16	-263
Media and Communications service	-67	66
Community Safety service income and expenditure variance	638	-642
Governance Service income and expenditure	-80	-13
Increased payments to voluntary organisations matched by grant income	106	-106
Other Variations	12	-33

**Net underspending £366,000**

665

**HUMAN RESOURCES**

Bi-borough HR cost sharing with LBHF	493	-426
Learning and Development cost recovery from WCC/LBHF		-130
Other Variations	-12	8

**Net underspending £67,000****INNOVATION AND CHANGE MANAGEMENT**

Underspend on employee budgets	-135	
S113 charges from LBHF (2013-14 to 2015-16)	434	
Other variations	-14	-1

**Net overspending £284,000****Total Variations** **10,704** **-12,445** **955****Net Variation** **-1,741**

## ANNEX C

### BUDGET CARRY FORWARDS

Item	£	Justification/Explanation	Portfolio /Service
<b>Corporate Finance Salaries</b>	<b>100,000</b>	Managed Services Implementation Support - To supplement salary costs in the light of the ongoing work associated with the Managed Services Contract.	Finance and Strategy
<b>External Audit Fees</b>	<b>75,000</b>	It is anticipated that external audit may need to carry out additional transaction testing following the initial year of accounts (2015-16) being produced from Agresso and following the implementation of the Managed Services Programme.	
<b>Corporate Investigation Group Fraud Detection</b>	<b>115,000</b>	A grant of £396,000 was received from DCLG towards the cost of fraud detection and prevention covering an extended period. Delays in recruiting investigation means that part of the funding is required to be carried forward.	
<b>New Homes Bonus</b>	<b>665,260</b>	Slippage relating to projects funded from New Homes Bonus Topslice	Strategy and Local Services
<b>Corporate Services Budget Carry Forward Bids</b>	<b>955,260</b>		