

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

OVERVIEW

SUMMARY

REVENUE BUDGET

Net savings of £1.4 million are forecast for the year-end (£10.2 million at quarter 3), including £0.5 million from parking income. The difference between the two quarters results largely from the decision taken by Cabinet at quarter 3 to vire £8.0 million from underspendings into the Capital Expenditure Reserve to fund pipeline schemes and to adjust the budget for parking income.

CAPITAL BUDGET

Capital payments of £11.1m are expected to slip to 2007/08, against the revised Capital Programme approved in March 2007. £7.8m of this relates to the handover of Ellesmere which will happen in 2007/08.

Annual Efficiency Statement

The report also includes information on progress made in 2006/07 to deliver planned cashable efficiency savings, together with the Forward Look Statement for 2007/08.

FOR INFORMATION

1 REVENUE BUDGET

Business Group	Quarter 4 - To February 2007			Quarter 3 - To December 2006		
	* General Fund Variations £m	On St Parking Variation £m	Total Variations £m	* General Fund Variations £m	On St Parking Variation £m	Total Variations £m
Family and Children's Services	0.0		0.0	-0.1		-0.1
Housing, Health and Adult Social Care	-1.6		-1.6	-0.9		-0.9
Planning and Conservation	-0.2		-0.2	-0.2		-0.2
Transport, Environment and Leisure Services	-0.7	-0.5	-1.1	-0.4	-1.6	-2.0
Corporate Services	-0.1		-0.1	-1.0		-1.0
Total Service Budgets	-2.5	-0.5	-3.0	-2.7	-1.6	-4.3
Non-Departmental Budgets	1.7		1.7	-5.9		-5.9
Net under spending	-0.8	-0.5	-1.3	-8.6	-1.6	-10.2

* Excl On St Parking

- 1.1 The table summarises the revenue budget forecast at the end of February 2007. The forecast at the end of the final quarter of the year shows net savings of £1.4 million. Service variations of £3.0 million are offset against the overdrawn non-departmental budgets reflecting Cabinet's decision at quarter 3 to only partially offset by virement an £8.0 million transfer to the Capital Expenditure Reserve.
- 1.2 **Family and Children's Services** expect to spend almost exactly to budget compared to an underspend of £0.1 million at quarter 3. A recently received claim from the Home Office relating to Asylum Grant overpayments dating back to 2002/03 has been taken into account in the forecast.
- 1.3 **Housing, Health and Adult Social Care** (HHASC) is forecasting a surplus of **£1.6 million** compared to £0.9 million in quarter 3, largely driven by housing income. On Home Care, good progress is being made on reducing expenditure which is now being brought within budget.
- 1.4 **Planning and Conservation** now forecast an income surplus of **£0.2 million** (virtually unchanged from quarter 3). Fee income for both Planning Applications and Building Regulations continues to perform well.
- 1.5 **Transport, Environment and Leisure Services** expect to save **£1.1 million** (£1.9 million to quarter 3). The position at the end of February does not reflect the impact of the C Charge. Significant variations include slippage on the replacement parking IT system, savings on employee costs and additional income from Street works and Licensing, offset by extra expenditure on Holland Park Opera.

- 1.6 **Corporate Services** forecast an underspend of **£0.1 million**, a reduction from £1.0 million in quarter 3, following the Cabinet decision to adjust the budget. Only minor changes have been identified since the last quarter in a variety of areas including PCSO's, Hall Lettings income, Building Maintenance and Commercial Lettings income.
- 1.7 **Non-departmental budgets** project a **£1.7 million** deficit (£5.9 million surplus at the end of quarter 3). The decision by Cabinet to transfer £8.0 million to the Capital Expenditure Reserve, but viring only £7.0 million from underspent budgets accounts for £1.0 million of the current deficit, however projected service surpluses more than cover the projected shortfall. Interest and investment income projections have been revised downwards.

The Government has now announced the allocation from the 2006/07 Local Authority Business Growth Incentives (LABGI) scheme (which allows local authorities to share in the benefit of growth in business rates yield). The Royal Borough's allocation is £6.7 million and as agreed by Cabinet in the quarter 3 report, it will be transferred to an earmarked reserve for strategic regeneration initiatives.

- 1.8 The **Housing Revenue Account (HRA)** is expected to underspend by **£0.3 million** (£0.8 million overspend at quarter 3). The £0.3 million represents a projected over recovery of income.

2 CAPITAL BUDGET

- 2.1 The capital forecast is summarised below, as at the end of February. The annual budgets shown in the table below reflect the revised capital programme for 2006/07 as approved by Council on 7 March 2007.

Business Group	Original Budget £m	Annual Budget £m	Forecast Outturn £m	Forecast Variance £m	Forecast Variance %	Proposed Slippage into 2007/08 £m
Family and Children's Services	12.1	15.5	14.6	-1.0	-6.1	1.0
Housing, Health and Adult Social Care	37.0	35.2	26.2	-9.0	-25.7	9.0
Planning and Conservation	0.2	0.2	0.1	-0.1	-36.4	0.1
Transport, Environment and Leisure Services	7.5	5.2	4.5	-0.7	-13.1	0.7
Corporate Services	5.9	3.1	2.8	-0.3	-9.9	0.3
Total	62.7	59.2	48.1	-11.1	-18.7	11.1

- 2.2 **Family and Children's Services** predict a variance of £1.0 million overall which will all slip into 2007/08. Significant slippage is reported on a number of schemes including the redevelopment of Oxford Gardens.

- 2.3 **Housing, Health and Adult Social Care** forecast slippage of **£9.0 million**, £7.8 million of which relates to delayed spending on the Ellesmere project which will be incurred in April 2007 on handover of the site.
- 2.4 **Planning and Conservation** are forecasting **slippage of £0.1 million** the majority of which relates to the Stalls project.
- 2.5 **Transport, Environment and Leisure Services** forecast **slippage of £0.7 million** into 2007/08. Slippage is occurring on a variety of projects including Transport Action Plans, the Parks Strategy and Development Plan, the Sports Centre planned maintenance programme and CCTV digitalisation.
- 2.6 **Corporate Services** forecast **slippage of £0.3 million** to 2007/08. This relates to delays in setting up a site for the second server farm at Pembroke Road.
- 2.7 Total capital receipts are running ahead of the profiled budget, especially on Right to Buy sales.

BUDGET MONITORING SUMMARY QUARTER 4 TO FEBRUARY 2007

DESCRIPTION	Annual Budget 2006/07	Projected Outturn 2006/07	Variance 2006/07	Variance 2006/07
Service Budgets	£'000	£'000	£'000	%
Family and Children's Services	45,174	45,156	(18)	0.0%
Housing, Health and Adult Social Care	58,596	57,046	(1,550)	-2.6%
Planning and Conservation	5,829	5,640	(189)	-3.2%
Transport, Environment and Leisure Services	17,286	16,160	(1,126)	-6.5%
Corporate Services	16,645	16,539	(106)	-0.6%
Committee Total	143,530	140,541	(2,989)	-2.1%
Contingency and Central Budgets	30	12	(18)	-60.0%
Net Cost of Services	143,560	140,553	(3,007)	-2.1%
Transfer to/from Asset Mgt Revenue A/c	4,117	4,117	0	0.0%
Pension Fund Liabilities	6,424	6,424	0	0.0%
Interest and Investment Income	(9,900)	(9,200)	700	-7.1%
Net Operating Expenditure	144,201	141,894	(2,307)	-1.6%
Transfers to(+) / from(-) reserves:-				
Capital Financing Reserve (incl MRP)	(1,921)	(1,921)	0	0.0%
Transfer to/from capital reserves	5,653	5,653	0	0.0%
Transfer to/from Revenue reserves	21,647	24,246	2,599	12.0%
Transfers to (+) / from (-) Working Balance	(8,127)	(8,419)	(292)	
TOTAL EXCLUDING LEVIES	161,453	161,453	0	0.0%
Levies	3,379	3,379	0	0.0%
Formula Grant Adjustments - Prior Years	38	38	0	0.0%
TOTAL ROYAL BOROUGH EXPENDITURE	164,870	164,870	0	0.0%

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