

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET 26 OCTOBER 2006

REPORT OF THE TOWN CLERK AND CHIEF EXECUTIVE

**BUDGET MONITORING 2006/07 – QUARTER 2
CORPORATE SERVICES**

SUMMARY

REVENUE BUDGET

The forecast is now £100,000 more than last quarter, with the Business Group expected to **underspend by £1.3 million** by the year-end. This is 6% of the net budget after recharging all support services but only 0.67% on the total turnover of the Business Group. The most significant underspendings are on PCSOs (£300k) and Benefits (£1 million), offset by under-recovery of income on Halls Lettings (£600k).

CAPITAL BUDGET

The Business Group expects **slippage of £3.5 million** by the year-end, which is slightly more than forecast last quarter. Around half of this is due to delays on the Customer Service Centre. We forecast an **underspend of £0.3million** which it is anticipated will be used to support the customer services initiative.

FOR INFORMATION

1 REVENUE BUDGET

Revenue Budget Monitoring Report - Corporate Services Sept 2006

	Annual Budget £'000	Spend to date £'000	Spend to date %	Projected Outturn £'000	Variance £'000	Variance %	RAG Status
Budgets Controlled by Business Group							
Finance, Information Systems and Property							
Finance	6,810	3,268	48%	6,717	-93	-1.4%	Green
Customer Services and Revenues	5,311	-11,381	-214%	4,467	-844	-15.9%	Red
Information Systems	4,471	2,863	64%	4,455	-16	-0.4%	Green
Property Services	-1,853	-996	54%	-1,923	-70	3.8%	Green
Law and Administration							
Legal Services	1,668	1,187	71%	1,720	52	3.1%	Green
Governance	1,914	948	50%	1,875	-39	-2.0%	Green
Civic Ceremonial / Members	364	194	53%	358	-6	-1.7%	Green
Policy and Partnerships Unit	7,547	1,126	15%	7,051	-496	-6.6%	Red
Media and Communications	557	382	69%	547	-10	-1.8%	Green
Personnel and General Services							
Personnel	4,017	1,953	49%	3,997	-20	-0.5%	Green
General Services	7,876	5,175	66%	8,100	224	2.8%	Green
Total Budgets Controlled by Business Group	38,681	4,719	12%	37,364	-1,317	-3.4%	Amber
Central Support Services Budgets							
CSS recharges net	-16,763	-5,792	35%	-16,763	0	0.0%	
Net CSS budgets	-16,763	-5,792	35%	-16,763	0	0.0%	
TOTAL	21,918	-1,073	-5%	20,601	-1,317	-6.0%	

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 Already a number of potential variances on several elements of the Housing Benefits and Council Tax service have been identified, including additional DWP grant for fraud detection (£300,000) and reduced bad debt provision. At this stage it is anticipated that the contingency for fluctuations in demand of £300,000 will not be required. The underspending forecast is offset by reduced Court Costs income for Council Tax following the hiatus in pursuing cases during the implementation of the new IT system. There is always a degree of volatility on this £110m service and there is the added uncertainty on the spending profile from the transition to the new IT system so this forecast could change through the year.

- 1.2 The Metropolitan Police Authority (MPA) has made better progress in recruiting to the full budgeted level of Police Community Support Officers than was anticipated last quarter so the forecast underspend is now £400,000, a reduction of £100,000. As the MPA are now recruiting for all London Boroughs it has presented them with a considerable challenge and delays will occur which are out of the Council's control.
- 1.3 Halls Letting income continues at a reduced level and the forecast remains at a shortfall of £600,000 by the end of the year. The continuing loss of income is being addressed by the recruitment of a professional for two years on a commission basis to undertake intensive marketing and the lessons learned from this initiative will inform the decision on the future of the service. The post should be filled before Christmas, but it is not anticipated that the income will fully recover and so it is proposed to partially resolve the situation by reducing the budget of £1.4m by £250,000.
- 1.4 The income from Land Charges is showing a continuing upward trend following on from last year and it is forecast that an extra £200,000 is likely to be received by the end of the year. Similarly, income from the new Civil Partnership and Citizenship ceremonies will achieve a budget surplus of around £50,000.
- 1.5 A recommendation is included in this report to approve a budget virement within General Services of £250,000 to Halls Letting income. This would be funded £200,000 from Land Charges income and £50,000 from the new income source of Civil Partnerships and Citizenship ceremonies.

Progress on growth and savings

- 1.6 All savings and growth proposals within the revenue budget are on track with the same exceptions as last quarter:
 - a) An appointment has now been made to the new two year post of Head of Resource Utilisation and the person starts in December. This gives a cost of £20,000 rather than the £75,000 budget.
 - b) Progress on part of the payroll contract moving back in house has been affected by the Buncefield fire and the planned transfer of the voluntary organisations payroll in April will now happen in the autumn. This will leave a potential shortfall on the expected full year saving of £60,000.
 - c) There have been a number of developments of the Resourcelink payroll system that have been identified as of benefit to the organisation, particularly enhancing the 'self-service' policy for managers to administer the various aspects of managing staff. These may have an impact on the ability of the department to make the £25,000 saving identified in the current year.

Local Area Agreement

- 1.7 Implementation of the Local Area Agreement (LAA) has begun, although issues are still being negotiated with GoL on two remaining targets. A number of the projects funded through LAA Delivery Fund are already delivering although recruitment is necessary before other projects can get underway.

2 CAPITAL

Capital Budget Monitoring - Corporate Services Sept 2006								
Description	Original Budget £'000	Annual Budget £'000	Budget Profile to Q2 £'000	Actual Exp To Date £'000	% of annual budget spent	Forecast Outturn £'000	Forecast Variance £'000	Proposed Slippage into 2007/08 £'000
Benefits	785	838	419	338	40.3%	455	-383	280
Building Maintenance	839	1,053	527	469	44.5%	583	-470	375
Town Hall Reception Project	2,329	2,329	1,165	394	16.9%	700	-1,629	1,629
Information Systems	1,435	1,548	774	161	10.4%	918	-630	570
Miscellaneous	36	220	110	49	22.3%	56	-164	171
Canalside House development	500	500	250	0	0.0%	0	-500	500
Total	5,924	6,488	3,244	1,411	21.7%	2,712	-3,776	3,525
Financed By								
Capital Grant - DWP	80	80				80	0	0
Car Parking Reserve	324	324				86	-238	238
Contributions by Developer	500	500				0	-500	500
Capital Expenditure Reserve	1,100	1,100				300	-800	800
Other Reserves	2,413	2,714				1,825	-889	707
General Resources	1,507	1,770				421	-1,349	1,280
Total	5,924	6,488				2,712	-3,776	3,525

Commentary on Variances

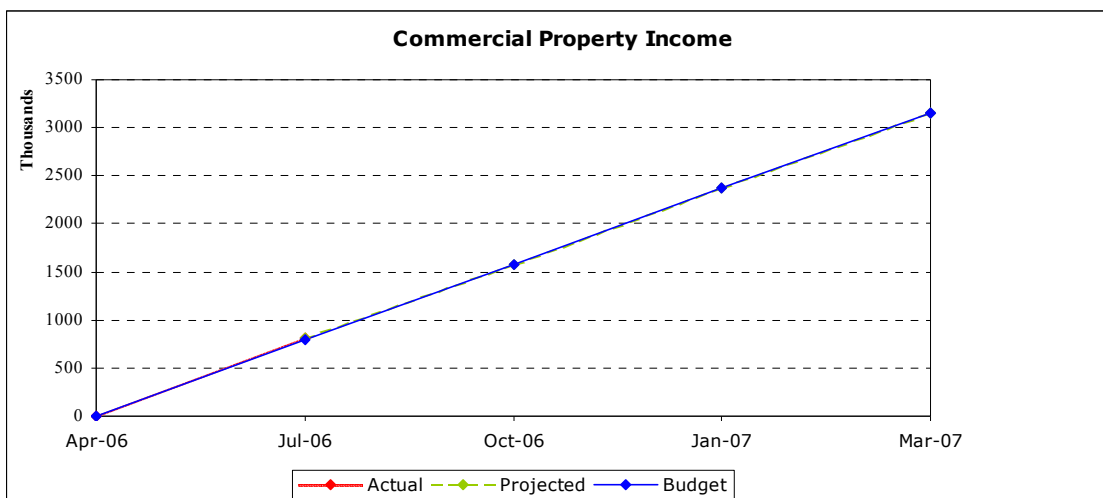
- 2.1 The major variance is the Kensington Town Hall reception refurbishment, which is now expected to be completed by September 2007. The main building contract is now out to tender and the decision to appoint the successful contractor will be submitted to Cabinet in November 2006 for the work to start on site in January 2007, which is later than originally planned. The amount that will now slip into next year, £1.6m, remains the same as forecast last quarter. A potential increase in costs of £1.052m, together with funding proposals was noted in the last budget monitoring report. The request for final approval for funding this extra cost will be brought forward at tender approval stage when the estimate will be more secure.
- 2.2 The externally funded Canalside House development project has now got outline planning permission and a key decision to proceed to planning application stage has been agreed. The contribution from the Tudor Trust has reduced to £100,000. The situation remains that the project will not start in this financial year requiring the £500,000 budget to slip a year.

2.3 The main modules of the Revenues and Benefits IT system went live in June 2006, one week later than planned. There was a necessary period of system closure from 19th May to 19th June but service continuity was maintained. There have been some issues around extracting performance data from the new system that are being addressed. The final cost of this project is getting more certain and there is every expectation that an underspend of up to £300,000 will result. A redirection of £200,000 will potentially be sought from this project's budget to the Kensington Town Hall Reception refurbishment.

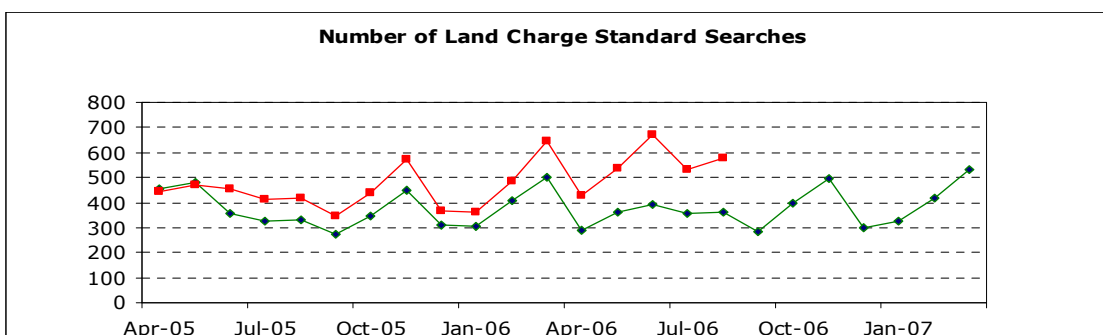
2.4 Better progress is now being made on some of the Information Systems projects, with a key decision now agreed to start the building works necessary to install the second server farm and the intranet content management review is underway. There are still delays on renewing the Council's IT infrastructure (both network and telecommunications) and electronic government projects. This leaves a total of £630,000 of IS capital projects slipping into next year.

3 KEY TRENDS, COST DRIVERS AND LEAD INDICATORS

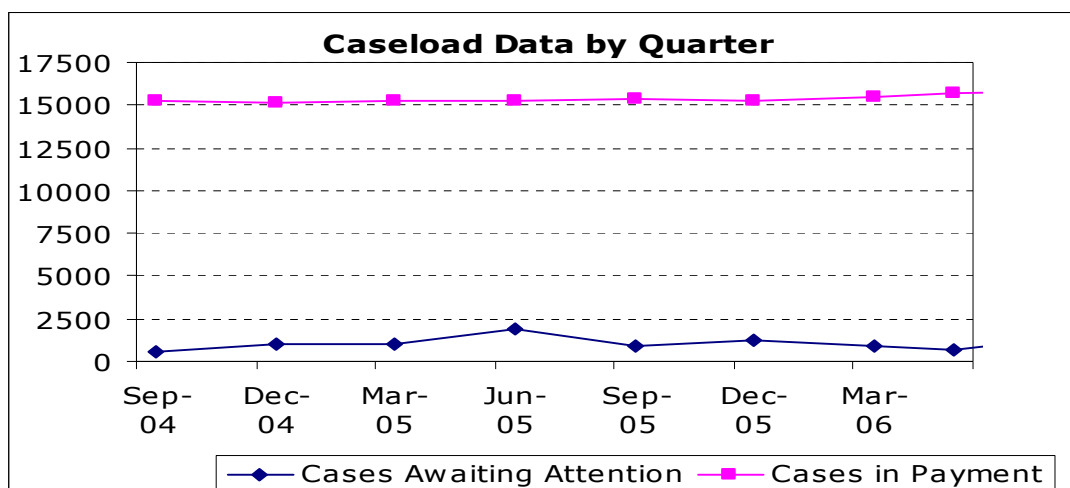
Commercial Property Lettings Income



Land Charge Searches



Revenues



Staff costs

Staff Costs - Budget Monitoring Sept 2006							
Service	Annual Budget £'000	Budget to date £'000	Spend to date £'000	Variance budget to date £'000	Variance budget to date %	Agency & Overtime Spend £'000	Agency & Overtime as % of total
Finance	8,874	4,437	4,405	-32	-0.7%	133	3.0%
Information Systems	4,588	2,294	2,242	-52	-2.3%	31	1.4%
Property Services	974	487	463	-24	-4.9%	13	2.8%
Customer services	562	281	215	-66	-23.5%	5	2.3%
Legal Services	2,119	1,060	1,079	19	1.8%	76	7.0%
Governance Services	1,006	503	500	-3	-0.5%	12	2.4%
PPU/Town Clerk	2,214	1,107	1,139	32	2.9%	45	3.9%
Communications	337	169	150	-19	-11.1%	3	2.0%
Personnel and General Services	6,128	3,064	3,111	47	1.5%	131	4.2%
Total	26,802	13,401	13,304	-97	-0.7%	448	3.4%

4 PERFORMANCE INDICATORS

4.1 Percentage of supplier invoices paid within 30 days (BVPI 8) Council Wide.

Q1 05/06	Q2 05/06	Q3 05/06	Q4 05/06	Cum. Year 05/06	Q1 06/07	Q2 06/07	Q3 06/07	Q4 06/07	Cum, Yr to

74%	80%	86%	82%	80.5%	83%	85%			date
									83.2%

The corporate figures include an adjustment for disputed invoices, based on a snapshot figure across all groups. Individual Business Group figures do not reflect disputed invoices, which means they show a lower level of performance. An increase in Q2 in the number disputed has made performance at Business Group appear to drop.

Percentage of supplier invoices paid within 30 days (BVPI 8)
Corporate Services.

Q1 05/06	Q2 05/06	Q3 05/06	Q4 05/06	Cum. Year 05/06	Q1 06/07	Q2 06/07	Q3 06/07	Q4 06/07	Cum, Yr to date
84.9%	87.7%	90.3%	89.6%	88.1%	87.6%	84.9%			86.4%

4.2 NNDR Collection Rates (%)

Year	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
Annual	99.29	99.23	99.34	99.24	99.23	99.43	99.25	61.55
September	58.96	58.90	61.45	62.18	61.29	62.24	61.98	61.55

4.3 Council Tax Collection Rates (%)

Year	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
Annual	98.36	98.41	98.28	98.19	98.18	98.11	97.44	58.42
September	60.36	60.44	59.75	59.44	59.42	59.47	59.72	58.42

4.4 Accounts receivable indicators

	July 2006	Aug 2006	Sept 2006
Value of debts raised in last 12 months	59,796,247	61,955,142	65,065,587
Total Debts		13,723,413	15,089,401

Outstanding	9,241,256		
Debt outstanding as % of annual debit	9.6%	14%	14.9%
% Debt raised in the last 12 months collected	94.3%	89.9%	88.8%
Debtor days	20.9	37.0	40.9

Note: The debts outstanding figure has increased due to Schools Payroll Invoices, Property Services quarterly charges and invoices raised by Education. It is anticipated the figure will drop by the end of October.

RECOMMENDATION

It is recommended that a budget virement of £250,000 to Halls Lettings income from Land Charges income (£200,000) and Registrars income (£50,000) be approved for 2006/07 only.

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