

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET 26 APRIL 2007

REPORT OF THE TOWN CLERK AND CHIEF EXECUTIVE

BUDGET MONITORING 2006/07 – QUARTER 4

CORPORATE SERVICES

SUMMARY

REVENUE BUDGET

The opportunity was taken last quarter to transfer the Business Group's £1 million projected underspend into the Council's Capital Reserve. This has left only a small variation to report this quarter of **£106,000**. This is only 0.3% of the net budget after recharging all support services and a negligible amount on the total gross expenditure of the Business Group.

There have been only a few minor changes from last quarter identified. PCSOs underspend has increased by £50,000 to £335,000. Halls Lettings income has picked up and the forecast shortfall has been reduced by £190,000. Building Maintenance projects remain a high priority to support the Here to Help Initiative and forecast spend has increased by £90,000. The outlook on Commercial Lettings income is not as favourable and so has been reduced by £67,000.

£67,500 has been identified as potential slippage carry forward - £30,000 for signage work associated with Kensington Town Hall and £37,500 for specific voluntary sector grants.

CAPITAL BUDGET

The capital budget for 2006/07 was revised as part of the review of the Capital Programme, which was agreed by Cabinet on 22nd February 2007 and incorporated known project slippage up to November 2006. Against this revised budget there is now forecast **slippage of £306,000**. This can be almost entirely attributed to the delay in starting the building work associated with the alternative server farm (£260,000) but it is now underway.

FOR INFORMATION

1 REVENUE BUDGET

| Revenue Budget Monitoring Report - Corporate Services Quarter 4 - February 2007 | | | | | | | |
|--|------------------------|------------------------|--------------------|----------------------------|-------------------|---------------|--------------|
| | 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 | 6,835 | 5,909 | 86% | 6,778 | -57 | -0.8% | Green |
| Customer Services and Revenues | 4,089 | 3,784 | 93% | 3,825 | -264 | -6.5% | Red |
| Information Systems | 4,539 | 4,517 | 100% | 4,665 | 126 | 2.8% | Green |
| Property Services | -2,085 | -2,063 | 99% | -2,094 | -9 | 0.4% | Green |
| Law and Administration | | | | | | | |
| Legal Services | 1,684 | 1,779 | 106% | 1,779 | 95 | 5.6% | Green |
| Governance | 1,922 | 1,713 | 89% | 1,903 | -19 | -1.0% | Green |
| Civic Ceremonial | 479 | 463 | 97% | 479 | 0 | 0.0% | Green |
| Policy and Partnerships Unit | 7,410 | 6,213 | 84% | 7,204 | -206 | -2.8% | Green |
| Media and Communications | 559 | 486 | 87% | 534 | -25 | -4.5% | Green |
| Personnel and General Services | | | | | | | |
| Personnel | 4,014 | 3,778 | 94% | 3,957 | -58 | -1.4% | Green |
| General Services | 8,112 | 7,977 | 98% | 8,423 | 311 | 3.8% | Amber |
| Total Budgets Controlled by Business Group | 37,558 | 34,554 | 92% | 37,452 | -106 | -0.3% | Green |
| Central Support Services Budgets | | | | | | | |
| CSS recharges net | -20,913 | -17,236 | 82% | -20,913 | 0 | 0.0% | |
| Net CSS budgets | -20,913 | -17,236 | 82% | -20,913 | 0 | 0.0% | |
| TOTAL | 16,645 | 17,318 | 104% | 16,539 | -106 | -0.6% | |

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 There remains some caution on the Housing Benefits position following the transition to a new IT system and there remains a risk that the position could still change before the year end. To facilitate the transfer of £1million Business Group underspending to the Council's Capital Expenditure Reserve last quarter the budget for this service has been adjusted downwards. This has left only a relatively small variation made up of the same items as reported in previous quarters. These were the loss of Council Tax Court Costs income of £450,000 due to minimal pursuit of cases during the implementation of the new IT system, offset by a small surplus on the net cost of Benefits (£323,000) and savings on salaries (£220,000).
- 1.2 The Metropolitan Police Authority (MPA) continues to make progress in recruiting to the full budgeted level of Police Community Support Officers, but the forecast underspend has increased by £50,000 to £335,000. Of this £77,000 has been re-directed to initiating new community safety projects, crime and disorder mapping and domestic violence advocacy project.
- 1.3 The income to be received from the Tenant Management Organisation by Legal Services has continued to decline by a further £21,000 to £136,000. But this is offset by the additional work Legal Services have

carried out for business groups and the income earned for this. There is a built in 5% profit on Legal Services fees which is capped at a maximum profit of £51,000 and this has also helped to reduce the impact of the reduction in TMO work. The ongoing loss of TMO income is a significant budget risk for next year and Legal Services have taken action to address this.

- 1.4 Halls Lettings income has made a noticeable recovery in the last few months to the extent that the forecast shortfall is £190,000 less than projected last quarter, now standing at just over £200,000. This improved performance can be attributed to more active marketing, following up leads and a degree of good fortune with several lucrative short notice bookings. It is no longer planned to recruit a marketing professional to assist in the promotion of this service. This income shortfall is to be compensated from general underspends from other budgets within Corporate Services.
- 1.5 Building maintenance projects remain a high priority for the Council with the Here to Help initiative having an impact on the demand for re-configuring office accommodation. Although the maintenance budgets have been boosted by another £250,000 last quarter, there remains a small overspend projected of £90,000. One of the maintenance projects was the refurbishment of the toilets in Kensington Town Hall for which a budget carry forward of £145,000 is being held. It is not proposed to release the carry forward at this stage as overall the Corporate Services budget is forecast to be underspent and this funding is not required.
- 1.6 The Cabinet Member is requested to note the list of budget virements approved this quarter by the Group Finance Manager as detailed below.
 - Re-design the signage to Kensington Town Hall in line with the new Council brand at a cost of £30,000 from the budget designated to explore trading opportunities, which has not been needed this year.
 - £77,000 has been re-directed to specific community safety projects from the PCSOs underspend.

Progress on growth and savings

- 1.7 All savings and growth proposals within the revenue budget are on track with the following exceptions :
 - a) The new two year post of Head of Resource Utilisation was filled in January which 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 July 2007. 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.
 - d) The additional £500,000 allocated to further fund PCSOs will not all be required with delays in recruitment by the MPA, leaving £350,000 not needed for this purpose.
 - e) Increased Court Costs income for Council Tax will not now be forthcoming with the introduction of the new IT system significantly affecting the recovery of this income, although it is still anticipated that the additional income of £70,000 should be achieved next year.

Local Area Agreement

- 1.8 The Local Area Agreement is now in place and all targets agreed with the Government Office for London. After a slow start, the projected spend is now up to 50% for the year.

2. CAPITAL

| Capital Budget Monitoring - Corporate Services February 2007 | | | | | | | | |
|---|--------------------------|------------------------|----------------------------------|--------------------------------|--------------------------------|------------------------------|-------------------------------|--|
| Description | Original Budget £'000 | Annual Budget £'000 | Budget Profile to Q4 £'000 | Actual Exp To Date £'000 | % of annual budget spent | Forecast Outturn £'000 | Forecast Variance £'000 | Proposed Slippage into 2007/08 £'000 |
| Benefits | 785 | 455 | 455 | 367 | 80.7% | 397 | -58 | 58 |
| Building Maintenance | 839 | 579 | 579 | 534 | 92.2% | 553 | -26 | 26 |
| Town Hall Reception Project | 2,329 | 1,070 | 1,070 | 959 | 89.6% | 1,200 | 130 | -130 |
| Information Systems | 1,435 | 929 | 929 | 403 | 43.4% | 567 | -362 | 362 |
| Miscellaneous | 36 | 56 | 56 | 63 | 112.5% | 66 | 10 | -10 |
| Canalside House development | 500 | 0 | 0 | 0 | | 0 | 0 | 0 |
| Total | 5,924 | 3,089 | 3,089 | 2,326 | 75.3% | 2,783 | -306 | 306 |
| Financed By | | | | | | | | |
| Capital Grant - DWP | 80 | 80 | | | | 80 | 0 | 0 |
| Car Parking Reserve | 324 | 86 | | | | 51 | -35 | 35 |
| Contributions by Developer | 500 | 0 | | | | 0 | 0 | 0 |
| CS Capital Expenditure Reserve | 1,100 | 1,070 | | | | 1,200 | 130 | -130 |
| Other Reserves | 2,413 | 1,432 | | | | 1,079 | -353 | 353 |
| General Resources | 1,507 | 421 | | | | 373 | -48 | 48 |
| Total | 5,924 | 3,089 | | | | 2,783 | -306 | 306 |

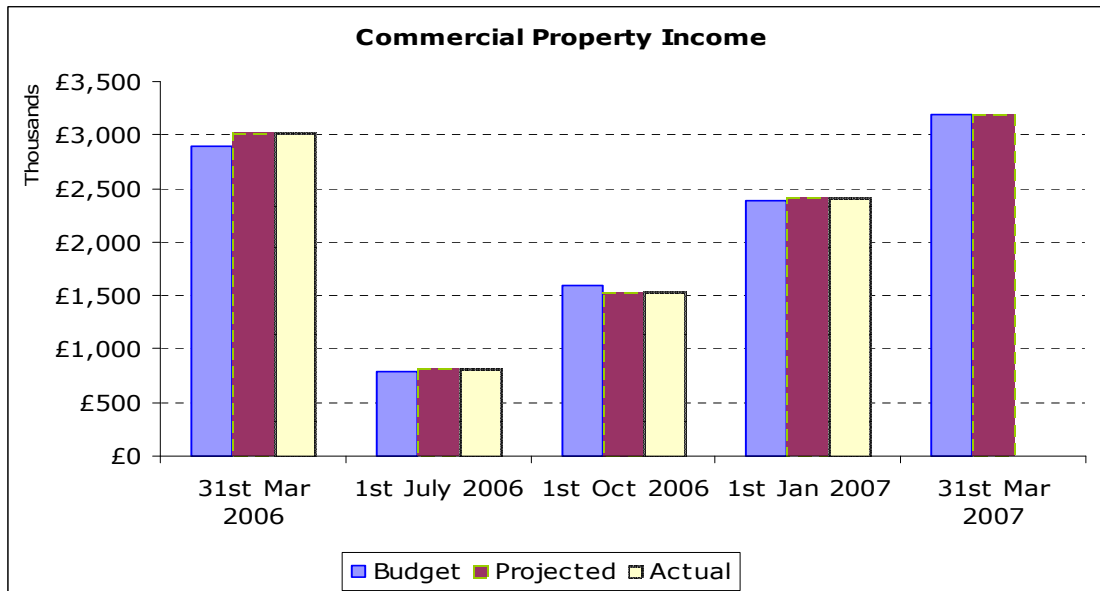
Commentary on Variances

2.1 Progress on the Kensington Town Hall reception refurbishment now looks to be ahead of schedule and £130,000 from next year's budget could be needed to be brought forward. The Cabinet approved in November 2006 the letting of the main building contract and the contractor is on site with completion due in September 2007.

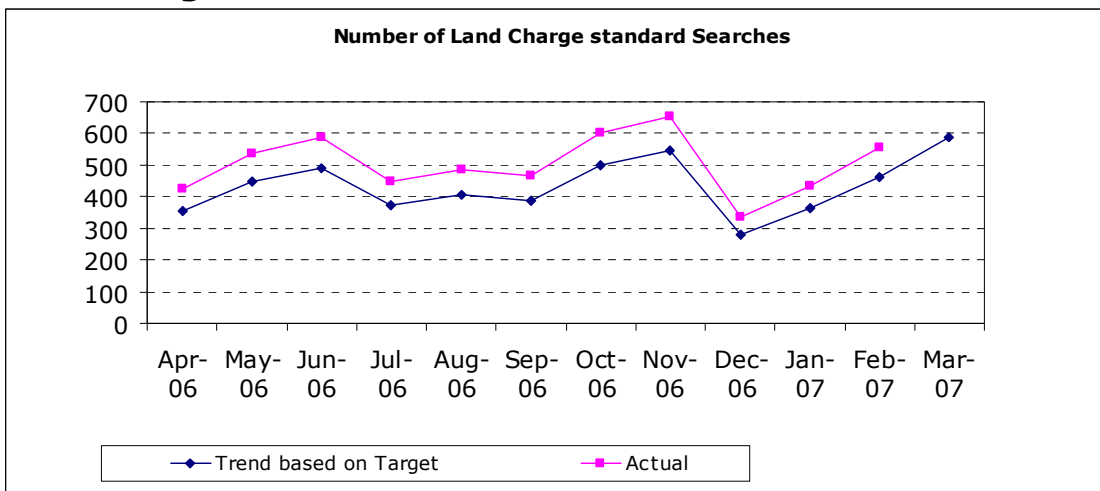
2.2 The significant variance has been caused by the delay in mobilising the contractor to create the second server farm at Pembroke Road. Although the key decision was approved in August, the contractor did not get on site until December through contract and administrative issues. This project accounts for £260,000 of the slippage.

3. KEY TRENDS, COST DRIVERS AND LEAD INDICATORS

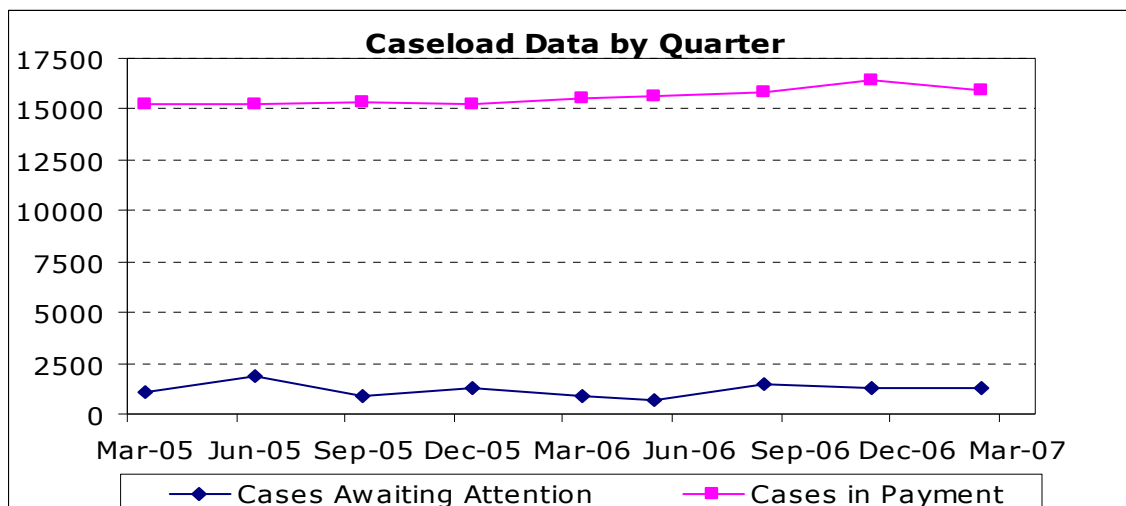
Commercial Property Lettings Income



Land Charge Searches



Revenues



Staff costs

| Staff Costs - Budget Monitoring February 2007 | | | | | | | |
|--|------------------------|-------------------------|------------------------|----------------------------------|------------------------------|----------------------------------|---------------------------------|
| 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 | 3,228 | 2,960 | 2,827 | -132 | -4.5% | 95 | 3.4% |
| Customer Services and Revenues | 6,188 | 5,672 | 5,666 | -6 | -0.1% | 317 | 5.6% |
| Information Systems | 4,626 | 4,241 | 4,083 | -157 | -3.7% | 151 | 3.7% |
| Property Services | 974 | 893 | 829 | -64 | -7.1% | 27 | 3.3% |
| Legal Services | 2,006 | 1,839 | 1,803 | -35 | -1.9% | 138 | 7.7% |
| Governance Services | 1,083 | 1,069 | 1,097 | 28 | 2.6% | 34 | 3.1% |
| PPU/Town Clerk | 2,139 | 1,961 | 2,016 | 55 | 2.8% | 76 | 3.8% |
| Media and Communications | 337 | 309 | 268 | -41 | -13.2% | 3 | 1.2% |
| Personnel and General Services | 6,365 | 5,834 | 5,950 | 117 | 2.0% | 305 | 5.1% |
| Total | 26,945 | 24,777 | 24,540 | -236 | -1.0% | 1,147 | 4.7% |

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 date |
|-------------|-------------|-------------|-------------|--------------------|-------------|-------------|-------------|--------------|--------------------|
| 74% | 80% | 86% | 82% | 80.5% | 83% | 85% | 91.6% | 85.1% | 85.1% |

The corporate figures include an adjustment for disputed invoices, based on a snapshot figure across all groups. The figures for individual Business Group do not reflect disputed invoices, so show a lower level of

performance. The number of disputed invoices remains at a higher level than previously experienced.

Percentage of supplier invoices paid within 30 days (BVPI 8) for 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% | 91.7% | 89.2% | 88.9% |

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 | 99.21 | 99.31 | 99.21 | 99.22 | 99.38 | 99.51 | 98.61 |
| February | 97.57 | 98.20 | 98.13 | 98.63 | 97.52 | 98.51 | 98.58 | 98.61 |

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 | 98.42 | 98.30 | 98.22 | 98.23 | 98.18 | 97.79 | 94.47 |
| February | 94.45 | 95.09 | 94.81 | 94.59 | 94.55 | 94.89 | 95.36 | 94.47 |

4.4 Accounts receivable indicators

| | Dec 2006 | Jan 2007 | Feb 2007 |
|---|-----------------|-----------------|-----------------|
| Value of debts raised in last 12 months | 65,920,382 | 65,055,656 | 67,687,646 |
| Total Debts Outstanding | 10,756,558 | 10,347,995 | 13,391,067 |
| Debt outstanding as % of annual debit | 16.3% | 15.9% | 19.8% |
| % Debt raised in the last 12 months collected | 89.6% | 90.0% | 86.1% |
| Debtor days | 38.1 | 36.4 | 50.7 |

The debt increased in February with £2.7 million raised for Kensington and Chelsea Primary Care Trust for shared services.

Derek Myers
TOWN CLERK AND CHIEF EXECUTIVE