

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET 26 OCTOBER 2006

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

## **BUDGET MONITORING 2006/07 – QUARTER 2 OVERVIEW**

### **SUMMARY**

#### **REVENUE BUDGET**

Net savings of £4.4 million are forecast for the year-end (£3.1 million at quarter 1), including £0.9 million from parking income. In addition, we will support joint services with the PCT by £1.4 million from the Business Group underspend and from the Contingency Fund. Cabinet will be asked to re-invest £0.3 million of parking income, and to earmark £0.5 million of Supporting People cost reductions, which would reduce the bottom line impact.

#### **CAPITAL BUDGET**

Capital payments for 2006/07 are expected to undershoot by £9.2 million (13.7% of the annual budget), which £8.9 million will slip to 2007/08. Members have previously noted that the underspending in Corporate Services will be redirected to Customer Services initiatives when tender prices are known.

The report also confirms we are on track to deliver £2.5 million of a planned £2.9 million cashable productivity improvement during the year.



# 1 REVENUE BUDGET

Business Group	Quarter 2 - To September 2006			Quarter 1 - To June 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	0.3		0.3	0.2	0.1	0.3
Transport, Environment and Leisure Services	-0.4	-0.9	-1.3	-0.3	-0.4	-0.7
Housing, Health and Adult Social Care **	-1.2		-1.2	-1.0		-1.0
Planning and Conservation	-0.1		-0.1	-0.1		-0.1
Corporate Services	-1.3		-1.3	-1.2		-1.2
<b>Total Service Budgets</b>	<b>-2.7</b>	<b>-0.9</b>	<b>-3.6</b>	<b>-2.4</b>	<b>-0.3</b>	<b>-2.7</b>
Non-Departmental Budgets	-0.8		-0.8	-0.4		-0.4
<b>Net under spending</b>	<b>-3.5</b>	<b>-0.9</b>	<b>-4.4</b>	<b>-2.8</b>	<b>-0.3</b>	<b>-3.1</b>

\* Excl On St Parking

\*\* Housing, Health and Adult Social Care above excludes the potential additional contribution of £1.4 million to the PCT joint budgets of which £0.8 million could be funded from the Housing, Health and Adult Social Care surplus above (with the balance being met within the existing contingency budget).

- 1.1 The table summarises the revenue budget forecast at the end of September 2006.
- 1.2 The forecast at the end of the quarter is for services to underspend by £4.4 million, including parking income and interest gains. This includes £3.0 million of income overachieved. Overall we are projecting gross expenditure budgets underspent by 0.3% and income overachieved by 1.0%. This does not take account of our commitment to the PCT of £1.4 million nor of the balance of uncommitted contingency funds currently estimated at £2.0 million.
- 1.3 **Housing, Health and Adult Social Care** (HHASC) overall is currently forecasting an **underspend of £1.2 million** compared to £1.0 million in quarter 1. Home Care represents the greatest financial pressure for the Business Group, offset by income recovery over budget on Housing Temporary Accommodation. However, the projected home care overspend now shows marked improvement, reflecting the intensive work in this area.
- 1.4 The figure of £1.2 million excludes additional temporary support for joint services with the Primary Care Trust (PCT) of up to £1.4 million, approved by Cabinet in July, which will be sourced from the Business Group underspending, supported by the Council's contingency fund. The final amount is not yet confirmed.

The Business Group is recommending approval to reserve transfers and virements as follows:-

- (i) To transfer the Supporting People saving to the Supporting People Reserve. This is line with previous policy where reviews have led to cost reduction ahead of the anticipated

grant reduction and is intended to secure a softer landing for the services;

- (ii) To draw down £120,000 from the Repairs and Renewals Fund in 2006/07 to fund a projected overspend on Adult Social Care IT;
- (iii) To agree a one off virement of £176,000 between the Under 65's Placements Budget and the Home Care Budget;
- (iv) should negotiations with the PCT result in a projected overspend for the Business Group, then a release from the Corporate Contingency be approved to meet this overspend.

1.5 **Family and Children's Services** are forecasting a small **overspend of £0.3 million** (unchanged from quarter 1). The potential budget shortfall on children leaving care identified in the quarter 1 report has been eliminated following an announcement of grant support for local authorities.

1.6 The Special Educational Needs (SEN) Transport is likely to overspend by £0.3 million. This follows contract re-tendering, together with additional routes for statemented children. An independent review is being commissioned to ensure we are taking all reasonable steps to contain costs. However, unless service is withdrawn from current recipients, it will not be possible to contain this within the existing travel budget. I propose to offer members the options of meeting this from the Car Parking Reserve (it is eligible spending), requiring the Business Group to offer off-setting savings, or funding from the contingency fund for this year.

- 1.7 There will be a key decision requirement with regards the interim funding of temporary arrangements due to the closure of the under-threes service at Maxilla Nursery. This cost is to be met from Corporate Contingency.
- 1.8 **Transport, Environment and Leisure Services** forecast an **underspend of £1.3 million**, before virement. This compares with a forecast of £0.7 million in quarter 1. £1.0 million can be ascribed to income, mainly from parking, and it is proposed to redirect £0.276 million for modifications to high value meters. Fitting 'clam' units is intended to prevent misuse and loss of income. This has proved very successful in trial and should have a good return on investment. A micro landscaping project list to tidy up sites in the north of the Borough at a cost of £150,000 could be funded from Business Group underspendings. Other issues are smaller overs and unders on Waste and Leisure.
- 1.9 **Planning and Conservation** forecast an **income surplus of £0.1 million** (unchanged from quarter 1). Fee income for Planning Applications is above budget, although the outlook for Building Regulations income is less buoyant than last quarter. The net position is after Business Group virements to help meet demand for tree maintenance and for the office reorganisation.
- 1.10 **Corporate Services** forecast an **underspend of £1.3 million**, a small increase from £1.2 million in quarter 1. This mainly reflects Benefits and recruitment of Police Community Support Officers. Halls Lettings income continues at a reduced level but new marketing initiatives are planned. The Business Group is proposing a virement of £250,000 from Land Charges and Registrars income to Halls Lettings income.
- 1.11 **Non-departmental budgets** project an **underspend of £0.8 million** (£0.4 million at the end of quarter 1), principally on interest receipts. This reflects additional borrowing taken in advance due to favourable market rates, and higher cash balances than planned due to capital slippage and prior year underspendings. Additional income is offset by higher levels of interest payable and a review of the split of interest payable between the General Fund and the HRA. This total excludes any unspent balance on the contingency budget, after meeting any call required for joint budgets with the PCT.

We can now confirm that total LPSA (Local Public Service Agreement) Reward Grant will be at least enough to meet our commitments to supplement Local Area Agreement (LAA) external funding. 50% is receivable this year. Subject to audit, there may be some additional uncommitted receipt in 2007/08.

The Government has announced more generous rules for sharing the proceeds of incremental 2006 business rateable value yield than last year: this is known as the Local Authority Business Growth Incentive (LABGI) scheme. Calculation is opaque but we estimate speculatively that we may be eligible for £3.5 to £4 million. The grant is calculated based on December rateable values and announced in Quarter 4.

- 1.12 The **Housing Revenue Account (HRA)** is expected to **overspend by £1.3 million** (£1.6 million at quarter 1). This principally reflects the impact on recoverable leaseholder charges of later phasing of major works. Higher costs of water, sewage and energy will be reflected in adjusted service charges.

## 2 CAPITAL BUDGET

- 2.1 The capital forecast is summarised below, as at the end of September.

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	14.7	13.8	-0.9	-5.9	0.8
Transport, Environment and Leisure Services	7.5	8.6	6.4	-2.2	-26.0	2.1
Housing, Health and Adult Social Care	37.0	37.4	35.2	-2.3	-6.1	2.4
Planning and Conservation	0.3	0.3	0.2	-0.1	-28.2	0.1
Corporate Services	5.9	6.5	2.7	-3.8	-58.2	3.5
<b>Total</b>	<b>62.8</b>	<b>67.5</b>	<b>58.3</b>	<b>-9.2</b>	<b>-13.7</b>	<b>8.9</b>

- 2.2 **Family and Children's Services** predict slippage of £0.9 million (at quarter 1 no slippage was forecast) on a variety of schemes, including £0.4 million on School 'Suitability' projects.

- 2.3 **Transport, Environment and Leisure Services** forecast **slippage of £2.2 million** (£1.6 million predicted in quarter 1), into 2007/08. This includes spending on Sloane Square, Golborne Road and the repainting of Stanley Bridge. The Exhibition Road project will also slip because of failure to secure Big Lottery Funding.

- 2.4 **Housing, Health and Adult Social Care** forecast slippage of **£2.2 million** (£0.7 million anticipated in quarter 1) £1.7 million of which relates to projects in the HRA main programme. Most of the remaining underspend relates to delayed spending on the Ellesmere project.

The Business Group are seeking approval to rephase the main HRA budget to £23.802 million in 2006/07, in line with the projected spending profile, and to increase the capital budget for Elm Park Gardens Basements scheme in the by £124,000 in 2006/07, to be

funded from capital receipts,

- 2.5 **Planning and Conservation** are forecasting **slippage of £0.1 million** (no variance anticipated in quarter 1) due to contractual delays on the Stalls project.
- 2.6 **Corporate Services** forecast **underspending** on 2006/07 payments **of £3.8 million** (£3.3 million reported at quarter 1) **£3.5 million** of which is expected to slip into 2007/08. Projects predicted to slip include Kensington Town Hall reception refurbishment, Canalside House barter development and various Information Systems Division (ISD) capital projects.
- 2.7 Capital Receipts are a little below the profiled budget at this early stage of the year but are expected to improve as the year progresses.

### 3 **RECOMMENDATIONS TO CABINET**

To agree reserve transfers and virements as follows:-

- 3.1 On Housing, Health and Adult Social Care
- (i) the underspend on the Supporting People budget be transferred to the Supporting People Reserve;
  - (ii) a draw down of £120,000 be agreed from the Repairs and Renewals Fund in 2006/07 to fund the projected overspend on the IT budget in Adult Social Care;
  - (iii) a one off virement of £176,000 be agreed between the Under 65's Placements Budget and the Home Care Budget;
  - (iv) the provision for the Elm Park Gardens Basements scheme in the Capital Programme be increased by £124,000 in 2006/07, to be funded from capital receipts;
  - (v) the capital budget for the HRA Main Programme be rephrased to £23.802 million for 2006/07, in line with the projected outturn, with the balance transferred to 2007/08;
  - (vi) should negotiations with the PCT result in a projected overspend for the Business Group, then a release from the Corporate Contingency be approved to meet this overspend.
- 3.2 On Families and Children, to meet the cost increase for SEN travel for 2006/07 from the car parking reserve, *or* from corporate

contingency, *or* by requiring the Executive Director to identify options to reduce expenditure in other budgets in the Business Group.

- 3.3 On Transport, Environment and Leisure Services, a virement of £276,000 from the Pay and Display income budget to install clam units to Pay and Display machines.
- 3.4 On Corporate Services, a virement of £250,000 from Land Charges and Registrars income to Halls Lettings income.

## BUDGET MONITORING SUMMARY QUARTER 2 TO SEPTEMBER 2006

DESCRIPTION	Annual Budget 2006/07	Projected Outturn 2006/07	Variance 2006/07	Variance 2006/07
<b>Service Budgets</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Family and Children's Services	51,281	51,554	273	0.5%
Transport, Environment and Leisure Services	21,004	19,739	(1,265)	-6.0%
Housing, Health and Adult Social Care	59,913	58,759	(1,154)	-1.9%
Planning and Conservation	5,940	5,827	(113)	-1.9%
Corporate Services	21,918	20,601	(1,317)	-6.0%
<b>Committee Total</b>	<b>160,056</b>	<b>156,480</b>	<b>(3,576)</b>	<b>-2.2%</b>
Contingency and Central Budgets	2,681	2,681	0	0.0%
<b>Net Cost of Services</b>	<b>162,737</b>	<b>159,161</b>	<b>(3,576)</b>	<b>-2.2%</b>
Transfer to/from Asset Mgt Revenue A/c	(9,894)	(9,290)	604	-6.1%
Pension Fund Liabilities	6,566	6,566	0	0.0%
Interest and Investment Income	(6,700)	(8,142)	(1,442)	21.5%
<b>Net Operating Expenditure</b>	<b>152,709</b>	<b>148,295</b>	<b>(4,414)</b>	<b>-2.9%</b>
<b>Transfers to(+)/ from(-) reserves:-</b>				
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	5,012	5,888	876	17.5%
<b>Transfers to (+) / from (-) Working Balance</b>	<b>0</b>	<b>3,538</b>	<b>3,538</b>	
<b>TOTAL EXCLUDING LEVIES</b>	<b>161,453</b>	<b>161,453</b>	<b>0</b>	<b>0.0%</b>
<b>Levies</b>	<b>3,379</b>	<b>3,379</b>	<b>0</b>	<b>0.0%</b>
<b>Formula Grant Adjustments - Prior Years</b>	<b>38</b>	<b>38</b>	<b>0</b>	<b>0.0%</b>
<b>TOTAL ROYAL BOROUGH EXPENDITURE</b>	<b>164,870</b>	<b>164,870</b>	<b>0</b>	<b>0.0%</b>

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