

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA**CABINET - 22 FEBRUARY 2007****REPORT OF THE EXECUTIVE DIRECTOR FOR FINANCE,
INFORMATION SYSTEMS AND PROPERTY****BUDGET MONITORING 2006/07 – QUARTER 3
OVERVIEW****SUMMARY****REVENUE BUDGET**

Net savings of £10.2 million are forecast for the year-end (£4.4 million at quarter 2), including £1.6 million from parking income. It is proposed to transfer projected surpluses into the Capital Expenditure Reserve to partially fund pipeline schemes.

CAPITAL BUDGET

Capital payments for 2006/07 are expected to underspend by £11.8 million (17.5% of the annual budget), offset by an overspend on the Academy site of £1.5 million where the budget needs to be advanced into 2006/07. £11.3 million will slip to 2007/08.

FOR DECISION

1 REVENUE BUDGET

Business Group	Quarter 3 - To December 2006			Quarter 2 - To September 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	-0.1		-0.1	0.3		0.3
Housing, Health and Adult Social Care	-0.9		-0.9	-1.2		-1.2
Planning and Conservation	-0.2		-0.2	-0.1		-0.1
Transport, Environment and Leisure Services	-0.4	-1.6	-2.0	-0.4	-0.9	-1.3
Corporate Services	-1.0		-1.0	-1.3		-1.3
Total Service Budgets	-2.7	-1.6	-4.3	-2.7	-0.9	-3.6
Non-Departmental Budgets	-5.9		-5.9	-0.8		-0.8
Net under spending	-8.6	-1.6	-10.2	-3.5	-0.9	-4.4

* Excl On St Parking

- 1.1 The table summarises the revenue budget forecast at the end of December 2006. The forecast at the end of the third quarter shows net savings of £10.2 million. Services account for £2.7 million, and additional income plays a major role in the balance, including parking income of £1.4 million and interest of £3.2 million. This quarter it is proposed to release the balance of central contingencies of £2.6 million.
- 1.2 **Family and Children's Services** expect to underspend by **£0.1 million** compared to an overspend of £0.3 million at quarter 2. The movement reflects the final settlement of Leaving Care Grant for 2005/06 and a reduction in the projected cost of the new Special Needs Transport contract and increased routes by £70k. This cost increase is eligible for funding from the Car Parking Reserve (CPR) and approval is sought to underwrite the higher cost of £203k from the CPR in the event that it cannot be set against other underspendings.
- 1.3 **Housing, Health and Adult Social Care** (HHASC) is forecasting a surplus of **£0.9 million** compared to £1.2 million in quarter 2, largely driven by housing income. The reduction reflects the transfer of £0.5 million to the Supporting People Reserve, as agreed by Cabinet in October 2006. There will be a small further transfer of £56,000. Home Care remains a focus for close monitoring. However, good progress is being made and expenditure is now being brought within budget.
- 1.4 The net position takes into account financial support to the Primary Care Trust (PCT) of £0.5 million, which is being covered within the Business Group in 2006/07.
- 1.5 **Planning and Conservation** now forecast an income surplus of **£0.2 million** (£0.1 million at quarter 2). Fee income for both Planning Applications and Building Regulations has performed well in

the last quarter. The Business Group is proposing a virement of £50k from Planning Applications fee income to cover business process improvements, Crossrail consultancy and additional street planting. £50k of grant funded projects are expected to slip into 2007/08.

- 1.6 **Transport, Environment and Leisure Services** expect to save **£1.9 million** (£1.3 million to quarter 2). This is principally due to additional income, particularly in parking.
- 1.7 **Corporate Services** forecast an underspend of **£1.0 million**, a reduction from £1.3 million in quarter 2. This mainly represents Revenues and Benefits and Police Community Support Officers. Halls Lettings income continues at a reduced level offset in part by additional Land Charges income. Increased spending is occurring on administrative building maintenance projects. The Business Group is requesting approval to transfer £200,000 from Land Charges income to administrative buildings maintenance.
- 1.8 **Non-departmental budgets** project a **£5.9 million** surplus. (£0.8 million at the end of quarter 2, excluding uncommitted contingencies) This reflects increased interest earnings from both interest rate movements and higher cash balances. The commitment to the Primary Care Trust of £1.4 million noted in Quarter 2 has now reduced and is absorbed by HHASC. It is now proposed to release the Council's central contingency, although there is a residual risk relating to a Home Office national review of asylum grants paid in previous years.

The Government is likely to notify Councils in late February of grant to be allocated under 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 estimated national total for allocation is three times larger than in 2005/06, when the Council received £2.1 million. It is proposed that this grant is held in an earmarked reserve for strategic regeneration initiatives.

- 1.9 The **Housing Revenue Account (HRA)** is expected to overspend by **£0.8 million** (£1.3 million at quarter 2). This includes reduced income on budgets managed by the Tenants Consultative Committee (TCC) of £1.2 million. This is offset by some favourable movements on council managed budgets, including interest payable and receivable. The Business Group is requesting a budget transfer of £320k from the Area Revenue Works/Controlled Repairs Reserve to the Area Revenue Works Budget.
- 1.10 The projected surplus on the General Fund is £8.6 million, including expected slippage in projects of £0.6 million at year end. This leaves a net underspending of £8.0 million and it is proposed that, as in

previous years, this is transferred to the Capital Expenditure Reserve to provide partial funding for the pipeline schemes which may appear in future capital programmes. The draft Capital Programme and its financing will be considered at the meeting of the Cabinet on 22 February.

2 CAPITAL BUDGET

2.1 The capital forecast is summarised below, as at the end of December. The draft capital programme elsewhere on this agenda proposes rephrasing the three year programme to take account of likely slippage in schemes.

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	14.9	15.1	0.3	1.7	1.3
Housing, Health and Adult Social Care	37.0	37.4	34.6	-2.8	-7.5	2.8
Planning and Conservation	0.3	0.3	0.2	-0.1	-32.7	0.1
Transport, Environment and Leisure Services	7.5	8.4	4.6	-3.8	-44.9	3.4
Corporate Services	5.9	6.5	2.6	-3.9	-59.7	3.7
Total	62.8	67.5	57.2	-10.3	-15.2	11.3

2.2 **Family and Children's Services** predict a variance of £0.3 million overall (at quarter 2 slippage was £0.9 million). The Business Group is proposing slippage into 2007/08 of £1.3 million. This is offset by the purchase of the Heatherleys site for the Chelsea Academy.

2.3 **Housing, Health and Adult Social Care** forecast slippage of **£2.8 million** (£2.2 million anticipated in quarter 2) £1.6 million of which relates to projects in the Housing Revenue Account main programme. Much of the remaining underspend relates to delayed spending on the Ellesmere project with some expenditure now not being required until next year. Expenditure on Elm Park Gardens basements is now delayed following discovery of asbestos on site.

2.4 **Planning and Conservation** are forecasting **slippage of £0.1 million** (unchanged from quarter 2) predominantly on the Stalls project.

2.5 **Transport, Environment and Leisure Services** forecast **slippage of £3.8 million** (£2.2 million predicted in quarter 2), into 2007/08. Slippage is occurring on a variety of projects including Sloane Square, Golborne Road, Transport Action Plans and the Sports Centre planned maintenance programme. The Business Group requests approval to rephase the 2007/08 capital budget for Holland Park Theatre to allow stage payments of approximately £200,000 to be made in 2006/07.

- 2.6 **Corporate Services** forecast **underspending** on 2006/07 payments of **£3.9 million** (£3.5 million reported at quarter 2) **£3.7 million** of which is expected to slip into 2007/08. Projects predicted to slip include Kensington Town Hall reception refurbishment and 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.

3 **RECOMMENDATIONS TO CABINET**

To agree reserve transfers and budget virements as follows:-

- 3.1 On Family and Children's Services to agree to underwrite the higher costs of the Special Needs Transport contract from the CPR in the event that it cannot be set against other underspendings.
- 3.2 On Housing, Health and Adult Social Care to agree a virement of £320k from the Area Revenue Works/Controlled Repairs Reserve to the Area Revenue Works budget.
- 3.3 On Planning and Conservation, a virement of £50,000 from Planning Applications fee income to business process improvements, Crossrail costs and street tree planting.
- 3.4 On Transport, Environment and Leisure Services, a rephasing of the capital budget for Holland Park Theatre of £200,000 from 2007/08 to 2006/07.
- 3.5 On Corporate Services, a virement of £200,000 from Land Charges income to administrative buildings maintenance.
- 3.6 To agree to transfer £8.0 million to the Capital Expenditure Reserve and partially offset this by a virement of £7 million from the following budgets:
- £1.0 million from Corporate Services underspending on Benefits
 - £0.051 million from savings in Planning and Conservation budgets
 - £3.2 million from additional interest on balances
 - £2.581 million from unused contingencies
 - £0.168 million from other non-departmental budgets
- 3.7 To agree in principle to transfer the LABGI grant received into an earmarked reserve for strategic regeneration.

3.8 To agree a transfer of £1.6 million (net underspending) from the On Street Parking service to the car parking reserve.

BUDGET MONITORING SUMMARY QUARTER 3 TO DECEMBER 2006

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	45,222	45,096	(126)	-0.3%
Housing, Health and Adult Social Care	58,626	57,684	(942)	-1.6%
Planning and Conservation	5,880	5,657	(223)	-3.8%
Transport, Environment and Leisure Services	18,796	16,820	(1,976)	-10.5%
Corporate Services	17,541	16,545	(996)	-5.7%
Committee Total	146,065	141,802	(4,263)	-2.9%
Contingency and Central Budgets	2,632	51	(2,581)	-98.1%
Net Cost of Services	148,697	141,853	(6,844)	-4.6%
Transfer to/from Asset Mgt Revenue A/c	4,143	4,117	(26)	-0.6%
Pension Fund Liabilities	6,566	6,424	(142)	-2.2%
Interest and Investment Income	(6,700)	(9,900)	(3,200)	47.8%
Net Operating Expenditure	152,706	142,494	(10,212)	-6.7%
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	5,441	7,040	1,599	29.4%
Transfers to (+) / from (-) Working Balance	(426)	8,187	8,613	
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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