

Meeting:	Cabinet
Date:	28 July 2005
Subject:	Revenue and Capital Budget Monitoring to 30 June 2005
Responsible Officer:	Director of Financial & Business Strategy
Contact Officer:	Myfanwy Barrett
Portfolio Holder:	Cllr Sanjay Dighe (Finance and Human Resources and Performance Management)
Key Decision:	No
Status:	Part 1

Section 1: Summary

Decision Required

1. To note the current revenue, HRA and capital budget position.

Reason for report

2. To effectively monitor the Council's revenue and capital budgets.

Benefits

3. The budget represents the financial resources approved to implement the Council's corporate priorities.

Cost of Proposals

4. Detailed financial information is attached in the appendices to the report.

Risks

5. None associated with the decision.

Implications if recommendations rejected

6. If the budget monitoring is not approved the budget process will be less transparent and less robust.

Section 2: Report

Brief History

7. This is the first quarterly budget monitoring statement for 2005-2006 and sets out the estimated overall financial position for the Council as at 30 June 2005, forecast to the year-end.

Options considered

8. Not applicable.

Consultation

9. Not applicable.

Financial Implications

10. Financial information is set out as follows:

- Appendix 1 - Revenue commentary
- Appendix 2 - Balances
- Appendix 3 - Capital monitoring
- Appendix 4 - HRA

11. Detailed schedules for each Directorate are on deposit in the Members Library and may be viewed on the Council's website – www.harrow.gov.uk.

Legal Implications

12. Case law dictates that members of a local authority retain responsibility for the proper administration of the finances of the authority (Lloyd & Ors v McMahon (1987)). Failures by Local Authority Councilors to fulfill their general fiduciary responsibilities have previously resulted in findings of willful misconduct in Court. There are specific statutory rules governing the use and

control of Housing Revenue Account. Additional practical guidance in the form of a Housing Revenue Account Manual has been produced by the Office of the Deputy Prime Minister and should be referred to.

Equalities Impact

13. Budget monitoring reviews the resources across the whole Council and these resources contribute to the delivery of the corporate equalities plan, achievement of level 3 of the equalities standard, and implementation of the race equality scheme.

Section 3: Supporting Information / Background Documents

- Appendix 1 - Revenue commentary
- Appendix 2 - Balances
- Appendix 3 - Capital monitoring
- Appendix 4 - HRA

Information on deposit: Schedules setting out the current level of spend for the service areas for the first three months of 2005-2006. This is an objective analysis, income including internal recharges is netted off against expenditure in each area. This information can also be viewed on the Council's website – www.harrow.gov.uk

Other background papers available on request:

- Report to February 2005 Council: Approval to 2005-2006 revenue budget
- Report to June 2005 Cabinet: 2004-2005 Outturn

Anyone wishing to inspect the background papers should telephone 0208 424 1203

Revenue Budget Monitoring – Commentary

1. Revenue Summary

The monitoring to the end of the first quarter indicates a forecast net overspend of £1.630m on the approved revenue budget. Action is being taken to manage the situation. However any overspend at the year-end would have to be met from General Fund Balances. A sum of £0.143m from NNDR refunds will be added General Fund Balances. A more detailed analysis of the forecast is shown in the schedules on deposit. Some of the forecasts reflect risks rather than known variances as there is still uncertainty in some areas.

	£m
Corporate	0.000
Business Connections	0.000
Organisational Development	0.000
Chief Exec. Office.	0.300
People First	1.330
Urban Living / Housing Revenue Account	0.000
Sub total	1.630
Capital Financing	0.000
Interest on balances	0.000
Net position	1.630

Chief Executive's Office

2. Recovery of Land Charges are subject to trends in the housing market and therefore outside the control of the Council. Income is 14% under recovered and it is anticipated that this trend will continue throughout the financial year. Uncertainty in the housing market and the impact of ever-increasing numbers of personal searches has contributed to the decline in income. Consequently, a significant under recovery is expected at year-end.

People First

3. Overall People First are forecasting an overspend of £1.330m by year-end. The most significant issues are:

- SEN transport, reflecting increases in routes due to increases in demand. Possible measures to reduce variation by recharging medical escorts to health, application of standards fund for vulnerable children and accurate projection re pupil data. There is an unallocated SEN schools contingency of £273k which is available to meet these pressures. The School Forum is however currently considering the use of some of the contingency to meet the needs of year 11 pupils (+£0.270);
- Pressure from the number of agency staff within the childrens social work teams. A major piece of work is being undertaken to develop a workforce strategy which will enable the Council to recruit and retain permanent members of staff. It is envisaged that this will turn the overspend situation around later in the year. (+£0.450m);
- Current cost of placements to meet childrens needs including requirement to place children whose needs would otherwise have been met at Haslam House (+1.050m);
- Savings in relation to closure of Haslam House due to reopen Summer 2006. This offsets additional placement costs required due to the closure (-£0.700m);
- Harrow Consortium for Special Needs are projecting an overspend re homes provided by Harrow Mencap. Management action is being taken to try to limit the impact of the overspend (+£0.150m).

Capital Financing & Investment Income

4. A detailed review of the capital programme is underway and will be reported to Cabinet in October. This report will give details of deliverables and also include revisions to the programme. For 2006-2007 both Petts Hill Bridge and Bessborough Road refurbishment will be included - these items are referred to elsewhere on the agenda.

Virements

5. No executive virements are required this period.
6. Directorates will continue to take action through their management teams to continue to manage their budgets.

Housing Revenue Account

11. As part of the ongoing review of the Housing Revenue Account, the budget figures ensure they closely reflect actual activity as well as aligning with the options appraisal.'

Budget Profiles

12. It should be noted that the way in which budgets are profiled in the financial system can distort the comparison between the budget and actual spend in the year to date. Revisions to profiles have been actioned in many cases and officers will continue to review them.

Budget Monitoring – Balances

1. The provisional revenue outturn reported to Cabinet in June noted General Fund Balances at 31 March 2005 of £8.22m. The projected position at 31 March 2006 is set out below. The forecast balance at 31 March 2006 is currently below the guideline level of £7m.

General Fund Reserves

	£m
Balance b/fwd at 31 March 2005 (Provisional Outturn)	8.220
Approved carry forwards into 2005-2006	-0.360
Collection Fund deficit to be met from balances	-0.670
	7.190
Budget variations now reported	-1.630
NNDR refund	0.143
Balance c/fwd 31 March 2006	5.703

CAPITAL PROGRAMME MONITORING AS AT 30 JUNE 2005

Capital Expenditure year to date and commitments				
	Expenditure to 30 June 2004 £000	Commitments £000	Total £000	Approved Programme £000
Business Connections	1,195	344	1,539	16,540
Chief Executive's	119	12	131	1,637
People First	1,115	652	1,767	9,270
Urban Living: non housing	2,424	4,647	7,071	30,718
Urban Living: Housing	883	344	1,227	15,837
Programme Management	-	-	-	700
Capitalisation	310	-	310	1,240
Total	6,046	5,999	12,045	75,942

1. To the end of the first quarter total expenditure is £12.045m, which represents approximately 16% of the approved programme.
2. In line with the Housing Options Appraisal the budget for the housing improvement programme will reduce from £10 to £7.5m.

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2005-2006

	Approved (Feb 2005)	Approved Budget (June 2005)	Variance
	£	£	£
Expenditure			
Employee Costs - HRA	3,152,435	3,151,725	710
Supplies & Services	1,584,650	1,589,628	(4,978)
Central Recharges	1,829,580	1,829,580	0
Housing costs adjustments	417,875	182,018	235,857
I T Projects	70,000	70,000	0
Miscellaneous	110,240	110,240	0
Option appraisals	145,000	145,000	0
Recharge to other services	(1,026,090)	(1,026,090)	0
Leasehold Management	109,710	109,710	0
Rent Rebates	62,450	0	62,450
Rent/Agency/Payments	3,850	3,850	0
Baseline expenditure	6,459,700	6,165,661	294,039
Inflation	296,242	296,242	0
Contingency - Repairs	112,500	100,000	12,500
Contingency - General		137,500	(137,500)
Operating Expenditure	6,868,442	6,699,403	169,039
Charges for Capital	5,214,520	5,273,858	(59,338)
Contribution to Repairs Account	5,533,030	5,893,077	(360,047)
RCCO	0	0	0
ALMO Set Up costs	0	0	0
Bad or Doubtful Debts	75,000	100,000	(25,000)
Total Expenditure	17,690,992	17,966,338	(275,346)
Income			
Rent Income – Dwellings	(20,231,721)	(20,231,721)	0
Rent Income – Non Dwellings	(598,762)	(598,762)	(0)
Service Charges	(319,190)	(319,190)	0
Facility Charges	(157,510)	(157,510)	0
Interest	(45,000)	(45,000)	0
Other Income	(42,450)	(42,450)	0
Transfer from General Fund	(113,030)	(113,030)	0
HRA Subsidy	3,767,160	3,687,179	79,981
Total Income	(17,740,503)	(17,820,484)	79,981
In Year Deficit / (Surplus)	(49,511)	145,854	(195,365)