

LONDON BOROUGH OF HARROW

Meeting:	CABINET
Date:	15 July 2003
Subject:	Revenue Budget Monitoring 2003-2004 as at 31 May 2003
Key Decision:	No
Responsible Chief Officer:	Interim Director of Finance
Relevant Portfolio Holder:	Finance and Human Resources and Performance Management
Status:	Part 1
Ward:	All

Enclosures:

1. General Fund Summary Monitoring Statement
2. Chief Executives – detailed monitoring statement
3. Education - detailed monitoring statement.
4. Environmental Services – detailed monitoring statement
5. Social Services – detailed monitoring statement

1. Summary / Reasons for Urgency (if applicable)

- 1.1 The report sets out the estimated overall financial position for the Council as at 31 May 2003. The monitoring period is 2 months as it would not have been possible to report to Cabinet on the full first quarter of the financial year until September 2003. It should also be noted that it is early in the financial year and projections will become more accurate as the financial year proceeds and take account of circumstances and issues which not be known to managers so early in the year.
- 1.2 Individual appendices provide monitoring details for those services reporting budget issues arising from 1 April to 31 May. The financial variations are summarised in Table 1. It shows the budget broadly on target.

Table 1: Summary of Variations

	£000
Chief Exec. Dept.	0.000
Education	0.029
Environment Services	0.000
Social Services	0.000
Housing	0.000
Environmental Health	0.000
Net overspend before management action	0.029

2. Recommendations (for decision by Cabinet)

The Cabinet is asked:

- 2.1 To note the current revenue budget position;
- 2.2 That the virements in Appendices 3 and 4 be approved with the proviso contained in paragraph 6.3 of the report.
- 2.3 Where an overspending remains to instruct Directors to identify savings as a first priority to bring the budget into line within 2003-2004, and that if at the year end an overspend remains, this be carried forward to the relevant departmental budget for 2004-2005.

REASON: To effectively monitor the Council's Revenue Budget.

3. Consultation with Ward Councillors.

Not applicable

4. Policy Context (including Relevant Previous Decisions)

A Revenue Budget Monitoring statement was last reported to Cabinet in March 2003 as part of the budget monitoring for the financial year 2002-2003. Cabinet also received a provisional outturn report for 2002-2003 at its meeting in June. This is the first quarterly revenue budget monitoring report for 2003-2004.

5. Relevance to Corporate Priorities

- 4.1 The budget represents the financial resources approved to implement all of the Council's corporate priorities.

6. Background Information

- 6.1 Quarterly revenue budget monitoring statements will be reported to Cabinet with monthly reports to CMT.

Approval of Virement

6.2 The requests for executive approval to virements this period (i.e. virement greater than £20,000 for transfers between budget book headings) are set out in table 2 below:

Table 2: Virement requests

From		To	
Budget	£000	Budget	£000
<u>Education</u>			
1. Director of Education Salary	-40	1. Community Lettings	30
2. Policy & Development PFI Fees	-105	2. Policy & Development PFI Fees	100
		3. IT for Schools	15
Total	-145	Total	145
<u>Environment Services</u>			
1. Commercial and agricultural property expenditure	23	Commercial and agricultural property income	-23
Total	23	Total	-23

6.3 The proposed virement in Education includes a sum of £105,000 in relation to one off PFI fees for a school's cluster bid. It was agreed at the time of setting the budget that should the bid be unsuccessful the budget would be returned to reserves. It is suggested that the proposed virement is largely in relation to another one off virement (the Special Schools PFI) and as such that the virement be approved temporarily and should the Education budget underspend that the £105,000 be returned for its original purpose should a new Schools cluster bid be submitted or returned to reserves.

6.4 Minor virement will be exercised under delegated authority.

6.5 Policy Savings

The Corporate Management Team has received reports for each of the first three months of 2003-2004 on the status of policy savings and their expected achievement. The table below sets out a summary of the current status of the items the achievement of which now form part of the quarterly revenue budget monitoring to Cabinet.

Table 3: Summary of Efficiency and Other Savings

Summary as at 30 June 2003	Total	CED	Educ	Env. Servs	Social Servs	Hsg	Env. Health
		£	£	£	£	£	£
<u>Category One:</u> Policy savings not yet achieved	-170	0	-20	0	-150	0	0
<u>Category Two:</u> Policy savings in the process of implementation	-947	-59	-221	-322	-345	0	0
<u>Category Three:</u> Policy savings on target	-3,741	-704	-654	-1,128	-555	-700	0
Total	-4,858	-763	-895	-1,450	-1,050	-700	0

- 6.6 Table 3 shows the majority of savings are on target to be achieved. Of the policy savings not yet achieved Directors have or are in the process of finding compensatory savings. Of the policy savings in the process of implementation these are being actively pursued and should there be any shortfall sustainable compensatory savings will need to be found within the current cash limited budgets which do not have a financial impact in 2004-2005 onwards.

Predicted Outturn

- 6.7 Service monitoring indicates a predicted overspending of £0.029m on the approved revenue budget. At individual service level some budgets have changed due to virements and expenditure changes and management action will be required to contain budgets within approved cash limits. The estimated position as at 31 May 2003 is summarised in Appendix 1 and service level changes are shown in Appendices 2 to 5.

Reserves

- 6.8 General Fund reserves at 1 April 2003 were £6.543m. After planned use of balances of £0.105m, earmarked reserves of £1.27m and additional funding of £0.052m for Housing Benefits resources a sum of £5.116 remains. Projected unallocated General Fund reserves are set out in Table 4.
- 6.9 Cabinet agreed that, if possible, up to £0.500m be earmarked as a reserve for change management costs as long as it did not cause General Fund Balances to go below £4m. This reserve will be established in 2003-2004 after the Statement of Accounts 2002-2003 have been prepared. The Chief Financial Officer may wish to recommend at that time the establishment of other earmarked reserves.

Table 4	£m
Balance b/fwd at 1 April 2003	6.543
Use of balances in year	
Per Original Budget	-0.105
Earmarked Reserves	-1.270
Housing Benefit costs	-0.052
	5.116
Earmarked Reserves – management change	-0.500
Balance c/fwd 31 March 2004	4.616

6.10 The projected reserves will be affected by any decisions of the Cabinet in respect of this monitoring report.

Budget Issues emerging during 2003-2004

6.11 The service appendices detail issues that have been identified which, at this time, require no corrective action but need to be carefully monitored and will be reported in future reports if the issues develop.

Remaining Service Budget Variations

6.12 After management actions, virement, and policy actions overspendings remain within Education Services (£0.029m).

6.13 The Cabinet needs to instruct the Services to identify savings as a first priority to bring the budget into line in 2003-2004, and that if at the year end an overspend remains, this to be carried forward to the budget for 2004-2005.

Implications for Future Years

6.14 The appendices set out the implications for future years of the budget issues discussed in this report.

7. Consultation

7.1 Consultation about this report has been carried out with the relevant Portfolio Holders.

8. Finance Observations

8.1 This is a report of the Interim Director of Finance and deals with the financial position of the Council.

9. Legal Observations

9.1 There are no legal comments.

10. Conclusion

10.1 Revenue budget monitoring at period 02 has resulted in an estimated net cumulative overspend of £0.029m.

11. **Background Papers**

11.1 Revenue Budget 2003-2004

Anyone wishing to inspect the background papers should telephone 020 8424 1166

12. **Authors**

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LONDON BOROUGH OF HARROW

GENERAL FUND BUDGET MONITORING STATEMENT 2003-2004: SUMMARY – PERIOD 02 AS AT 31 MAY 2003

Service / Budget	App. Ref	Original Budget 2003- 2004	Last approved budget (as at Period 01)	Corporate Actions: e.g. Inter-Service Virement / Capital adj	Latest Budget for Cabinet approval Col. 4+5	Predicted Outturn	Over / Under spend (before Mgt Action) Col. 7-6	Management Actions	
								Mgt changes / department virement	Saving to be identified Col. 8 & 9
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		£000	£000	£000	£000	£000	£000	£000	£000
Services									
Chief Executive's Dept	2	18.062	18.062	0.072	18.134	18.134	0.000	0.000	0.000
Education, Arts & Leisure	3	129.263	129.263	0.000	129.263	129.292	0.029	0.000	0.029
Environmental Services	4	34.276	34.276	0.000	34.276	34.276	0.000	0.000	0.000
Social Services	5	60.411	60.411	-0.020	60.391	60.391	0.000	0.000	0.000
Housing		6.876	6.876	0.000	6.876	6.876	0.000	0.000	0.000
Environmental Health		2.647	2.647	0.000	2.647	2.647	0.000	0.000	0.000
Total – Departments		251.535	251.535	0.052	251.587	251.616	0.029	0.000	0.029
Capitalisation		-1.338	-1.338	0.000	-1.338	-1.338	0.000	0.000	0.000
Capital Financing		-16.534	-16.534	0.000	-16.534	-16.534	0.000	0.000	0.000
Net Spending on Local Services		229.875	229.875	0.052	229.927	229.956	0.029	0.000	0.029
Contribution To/(From) GF Reserves		0.000			-0.052				
Changes in Year		0.000			0.000				
Net Cost of Local Services		229.875			229.875				
GF Fund Balance as at 01.04.03		5.273			5.273				
Contribution To/(From) GF Reserves		-0.105			-0.105				
Changes in Year		0.000			-0.052				
Balance as at 31.03.04		5.168			5.116				

LONDON BOROUGH OF HARROW
Director's Revenue Budget Monitoring Statement: Period 02 as at 31 May 2003
Service: CHIEF EXECUTIVE'S DEPARTMENT

Budget Issues

1. Table one below shows how spending compares to the latest approved budget. It shows expenditure in line with the latest approved budget, as there are no budget variation to report for this period.

Predicted Spend

2. Table one sets out predicted spending compared to the latest approved budget.

Service Budget	Latest Approved Budget	Predicted Outturn	Over / Under spend before M'gt Action	Management Actions	
				M'gt changes / dept virement	Comp. savings to be identified
				(5)	(6)
(1)	(2)	(3)	(4)	(5)	(6)
	£000	£000	£000	£000	£000
Services					
Corporate and Democratic Core	6.935	6.935	0.000	0.000	0.000
Corporate and I.T. Services	4.315	4.315	0.000	0.000	0.000
Finance and Exchequer Services	3.289	3.289	0.000	0.000	0.000
Personnel and Management Services	0.597	0.597	0.000	0.000	0.000
Law & Administration	-0.185	-0.185	0.000	0.000	0.000
Magistrate Court	0.358	0.358	0.000	0.000	0.000
New Harrow Project	1.451	1.451	0.000	0.000	0.000
Council Wide Costs	1.374	1.374	0.000	0.000	0.000
Total Services	18.134	18.134	0.000	0.000	0.000

Variations

3. There are no variations to report

Management Action

4. No management action/policy action is proposed as spending is projected to be in line with the budget.

Virement

5. No virements proposed

Emerging budget issues

6. There are no emerging issues to report

Implications for future years' budgets

7. None

Consulation

8. The Finance and Human Portfolio Holder has been consulted on the report.

Any other budget or service issues.

9. Nothing to report.

Author / Designation: Naresh Chauhan (CED Finance Manager)

LONDON BOROUGH OF HARROW
Director's Revenue Budget Monitoring Statement: Period 02: as at 31 May 2003
Service: EDUCATION

Budget Issues

- The special school PFI contract is nearing financial close and is requiring significant input from the legal and financial consultants. Consequently there are further fees estimated at £100k which will need to be funded from the 2003-2004 budget. In addition there are a number of relatively small issues which have come to light since the 2003-2004 budget was set. Overall these leave an overspend of £29k within the cash limited budget to be found from compensatory savings if the virement detailed in the report is agreed. Alternatively some limited management action has been suggested particularly as there are a number of emerging issues, for example, SEN transport which may cause further overspendings to be reported in future periods. It is possible that further compensatory savings will be identified as the year progresses either from vacancy savings or from the School Reorganisation growth however it is too early in the financial year to be clear how much they will be.

Predicted Spend

- Table one sets out predicted spending compared to the latest approved budget.

Service Budget	Latest Approved Budget	Predicted Outturn	Over / Under spend before M'gt Action	Management Actions	
				M'gt changes / dept virement	Comp. Savings to be identified
(1)	(2)	(3)	(4)	(5)	(6)
	£000	£000	£000	£000	£000
Services					
Individual Schools Budget	87.531	87.531	0.000	0.000	0.000
Schools & Community Service	19.023	19.041	0.018	0.030	-0.048
Strategy & Resources	2.693	2.704	0.011	-0.030	0.019
School Development Service	3.869	3.869	0.000	0.000	0.000
Schools Capital Financing	16.147	16.147	0.000	0.000	0.000
Total Services	129.263	129.292	0.029	0.000	-0.029

Variations

3. The main variations since the last period are set out in table two.

Table 2

Main Variations	£000
<i>Projected Overspends (+)</i>	
1. Community Lettings – current concessionary lettings policy is not cash limited – overspend is based upon last year’s outturn and trends	30
2. Capital & Development Premises – efficiency saving to increase the rent to the Health Service for 80 Gayton Road will not be made as the Health Service are now vacating the premises at the end of the Summer	20
3. Student Support - Clothing Grants – This is a demand led budget which based upon last year’s outturn and trends may overspend	10
4. Policy Development - PFI Fees – Financial and Legal Consultants fees estimated at £100k will be incurred in order to bring the Special Schools PFI contract to financial close for which no budget provision was made in 2003/2004.	100
5. Cross Service Budgets - IT for Schools – Following the restructure of the IT for Schools Service there is no longer a SLA offered to schools. There are however salary costs to be paid until suitable redeployment for all staff has been made.	25
6. Personnel - CRB Checks – The CRB have recently announced significant price increases of over 200% from July 2003 which can not be contained within the budget.	13
Sub total: projected overspends	198
<i>Projected Underspends (-)</i>	
1. SEN Disagreement Service – this growth item will not be required as Government grant has now been announced to meet the expenditure.	-12
2. Student Support – Post 16 Transport – this growth item will not be required as Government grant has now been announced to meet the expenditure.	-12
3. Policy Development PFI Fees – the growth item for the Pfi consultants fees for the Canons and Rooks Heath Cluster PFI Bid will not be required as the bid was unsuccessful.	-105
4. Cross Service Budgets – Director of Education Salary – there is a saving on the interim arrangements to cover the Director of Education’s post. This has been assumed to continue until the end of September.	-40

Sub total: projected underspends	-169
Net Total	29

Management Action

4. The variations identified to date require further compensatory savings of £29k to be identified to remain within the cash limited budget if the virement detailed below is agreed. It is likely however that the emerging budget issues could increase the overspending and therefore Members may wish to consider taking the following action:

The Community Lettings overspend could be contained if Members agreed to change the current concessionary lettings policy. This could involve reducing the concessionary letting percentage or not accepting any further concessionary lettings once the budget had been committed.

None of the overspendings can be contained within existing budgets and all are unavoidable. There is a statutory requirement to undertake the CRB checks and the PFI contract can only be closed with the assistance of external consultants. The vacation of the premises by the Health Service at 80 Gayton Road is opportune as additional premises are required by the Harrow Tuition Service. This means however that no further rent income can be collected and that the efficiency saving of £20k will not be achieved.

5. The following policy action is required to maintain the approved budget cash limit:
- (a) The Community Lettings overspend could be contained if Members agreed to change the current concessionary lettings policy. This could involve reducing the concessionary letting percentage or not accepting any further concessionary lettings once the budget had been allocated.

Virement

6. Table 3 sets out virements requiring Cabinet approval. The Community Lettings virement will not be required if the policy action above is approved.

Table 3

From		To	
Budget	£000	Budget	£000
1. Director of Education Salary	-40	1. Community Lettings	30
2. Policy & Development PFI Fees	-105	2. Policy & Development PFI Fees	100
		3. IT for Schools	15
Total	-145	Total	145

Emerging budget issues

7. There may be an overspend on the Assessment and Provision SEN transport budget as the implementation of two significant savings connected with reducing support at Shaftesbury School and ceasing pre school provision have been delayed. Detailed investigations are taking place as to when these changes will be implemented and the level of savings achievable.

The Teachers Centre budget is under severe pressure as income from schools, media resource use and external users is considerably lower than last year. Work is being undertaken to establish whether the increased costs can be offset from within other School Development Services budgets including Standards Funds for 2003/2004. The Best Value Review will need to address these issues for future financial years.

Further work is being undertaken to establish the position on the Playschemes budget for 2003/2004. There had been an overspend in 2002/2003 and if the position has not changed then management or policy action will be brought to Members to try to contain expenditure within the budget.

The delay with the roll out of LGfL will mean that the full efficiency savings connected with ceasing the separate dial up facilities to schools will not be made. An estimate of the savings that will be made and the timescale is still being reviewed.

Implications for future years' budgets

8. The Community Lettings budget transfers to the Grants Panel from April 2004 who will need to review the policy for making allocations within the budget available. The Special School PFI issue is one off and relates to this year only although the growth for the Cluster PFI may be needed next year if a further bid is submitted. The efficiency saving relating to the increased rent for Gayton Road will need to be addressed in the base budget for 2004/2005 as will the clothing grant overspend and the CRB check budget. The IT for Schools budget should not be an issue next year. Both the SEN Disagreement Service and the Post 16 Transport underspends are available in the base budget.

Consultation

9. The Education and Lifelong Learning Portfolio Holder has been consulted on the report.

Any other budget or service issues.

10. None

Author / Designation: Paula Foulds Education Financial Services Manager

LONDON BOROUGH OF HARROW
Director's Revenue Budget Monitoring Statement: Period 02: as at 31 May 2003
Service: Environmental Services

Budget Issues

1. It is still relatively early in the financial year and the picture is not clear in respect of those areas of expenditure and income that are relatively volatile. The budget included growth of £2.469m in respect of New Harrow Project. A decision on the continuation of the project is requested elsewhere on this agenda.

Predicted Spend

2. Table one sets out predicted spending compared to the latest approved budget.

Table 1				Management Actions	
Service Budget	Latest Approved Budget	Predicted Outturn	Over / Under spend before M'gt Action	M'gt changes / dept virement	Comp. savings to be identified
(1)	(2)	(3)	(4)	(5)	(6)
	£000	£000	£000	£000	£000
Services					
Planning	1.689	1.689	0.000	0.000	0.000
Environment & Transport	18.378	18.378	0.000	0.000	0.000
Property & Development	4.035	4.035	0.000	0.000	0.000
New Harrow Project	2.469	2.469	0.000	0.000	0.000
Harrow Contract Services	7.705	7.705	0.000	0.000	0.000
Total Services	34.276	34.276	0.000	0.000	0.000

Variations

3. None identified at this stage.

Management Action

4. None Required

Virement

9. None Required.

Emerging budget issues

10. The budget for Parking Enforcement Income was increased by £300,000 following the decision to increase the charge from £60 to £80 with effect from 7 April 2003. A significant proportion of income being received is still at the old rates. The full impact of the increase will not be seen until the second quarter of the year. At that time it will become clear if there has been any increase in the proportion of offenders paying early at the discounted rate or if the collection rate has deteriorated.

Implications for future years' budgets

11. None.

Consulation

9. None.

Author / Designation: Brynn Hodgson: Interim Director of Environmental Services

LONDON BOROUGH OF HARROW
Director's Revenue Budget Monitoring Statement: Period 02: as at 31 May 2003
Service: Social Services

Budget Issues

1. At this early stage in the year it appears that expenditure on one of the most volatile area of the budget, independent sector purchasing, is controllable within existing resources. The potential impact of the implementation of 'fairer access' to care and the effect of the revised 'continuing care criteria' in adult and elderly services is being closely monitored but as yet there is no significant change in trends to report. The salaries budget position is much improved following the injection of £500k growth in the current year but the use of agency staff in areas of difficult recruitment, particularly in the Children and Family Service, is presenting a budget pressure. This is being closely monitored and any significant issues drawn out in the next monitoring report.
2. There are some specific areas of emerging issues and these are identified at paragraph 7 below.

Predicted Spend

3. Table one sets out predicted spending compared to the latest approved budget.

Table 1				Management Actions	
Service Budget	Latest Approved Budget	Predicted Outturn	Over / Under spend before M'gt Action	M'gt changes / dept virement	Comp. savings to be identified
(1)	(2)	(3)	(4)	(5)	(6)
	£000	£000	£000	£000	£000
Services					
Children and Families	8.865	8.865	0.000	0.000	0.000
Community Care	37.193	37.193	0.000	0.000	0.000
Management and admin	8.014	8.014	0.000	0.000	0.000
Concessionary Fares	6.319	6.319	0.000	0.000	0.000
Total Services	60.411	60.411	0.000	0.000	0.000

Variations

3. There are no variations to report

Management Action

4. No management action/policy action is proposed as spending is projected to be in line with the budget.

Virement

6. No virements proposed

Emerging budget issues

7. The following areas are currently indicating a potential overspend
 - The Delayed Discharges Act includes a requirement to cease charging for equipment and adaptations with effect from 9th June 2003. For Harrow this means a loss of income in a full year of £48k and in the current year 2003/04 of £39k. When challenged about the funding implication of this change information from three different sources in DoH suggested three different ways that this funding gap was being covered within either the FSS or specific Grants. In reality there is no obvious funding source and officers are currently examining the possibility of using slippage on some grant schemes as a way of funding this shortfall. If this proves to be not achievable reference will be made to the position in the next monitoring report.
 - The charge for Criminal Record Bureau (CRB) checks on staff with effect from 1st July 2003 has been increased from £12 to £24 for a standard request and £29 for an enhanced one. The full year effect of this for SS is £11k and £8k in the current year 2003/04. This will be covered within the departments provision for inflation in the current year but may require special consideration for the council overall in 2004/05
 - As referred to in the separate monitoring report on budget savings there are two areas where the savings are at significant risk, the Family Centre and Bentley Centre and one area, mobility assessments for taxicard, where there has been a delay in implementation. The possibility of compensatory savings is being investigated and will be reported in the next revenue monitoring report to Cabinet.

Implications for future years' budgets

8. It may be necessary to consider a growth item for the loss of income from ceasing charges for equipment and adaptations in 2004/05. The CRB checks and shortfall in budget savings may also impact in 2004/05 depending on the nature of any potential compensatory savings.

Consultation

9. The Social Services Portfolio Holder is being consulted on the report.

Any other budget or service issues.

10. Nothing to report.

Ian Eastburn, Head of Finance and Contracting