

Meeting:	Cabinet
Date:	16 February 2005
Subject:	Revenue and Capital Budget Monitoring to 31 December 2005
Responsible Officer:	Director of Financial & Business Strategy
Contact Officer:	Myfanwy Barrett
Portfolio Holder:	Cllr Sanjay Dighe, Business Connections and Performance
Key Decision:	No
Status:	Part 1

Section 1: Summary

Decision Required

1. To note the current revenue 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 third quarterly budget monitoring report for 2005-2006.
8. The report is structured as follows:

- Appendix 1 – Revenue Budget
- Appendix 2 - Balances
- Appendix 3 - Capital programme

Options considered

9. Not applicable.

Consultation

10. Not applicable.

Financial Implications

11. Financial information is set out in detail in the appendices.

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 Councillors to fulfil their general fiduciary responsibilities have previously resulted in findings of wilful 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 17 Crime and Disorder Act 1998

14. Not applicable.

Section 3: Supporting Information / Background Documents

Appendix 1 – Revenue Budget
Appendix 2 - Balances
Appendix 3 - Capital programme

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
- Report to November 2005 Cabinet: Budget Monitoring Quarter Two 2005-2006

Any person wishing to inspect the background papers should telephone 020 8424 1573

**Revenue Budget Monitoring 2005-2006
Commentary**

Revenue Summary

1. The Council has a gross revenue budget of £480m. Managing a budget this size is complex and there are inevitably under and overspends which arise during the year. It is important to take management action when variances are identified.
2. The Chief Executive and Executive Directors have identified budget risks to the value of £2.9m (0.6% of the gross budget) and are working to manage the situation.
3. A more detailed analysis of these issues continues, particularly where there are areas of discretion, or policy decisions, that could alter the outcome.
4. The forecast outturn variation to the approved budget is analysed and explained below:

	£m
Corporate	1.9
Business Development	0.1
Chief Executive's Office	0.3
People First	1.0
Urban Living / Housing Revenue Account	0.0
Sub Total	3.3
Capital Financing	0.2
Interest on balances	0.6
Total	4.1
Rate Refund	-1.2
Net Position	2.9

Corporate

Procurement savings, balance to find of £2.2m

5. The total procurement target at the start of the year was £6.7m. The sum achieved to date is analysed below:

Procurement Savings	£000
Restricted provision for inflation	700
Purchase card target	400
Corporate contract savings	1,000
Business Development	200
People First	300
Urban Living	1,600
Total	4,200

6. Corporate contract savings are being achieved in relation to temporary staff, mobile phones, stationery, printing, and recruitment advertising. The savings are on target.
7. The sums allocated to Directorates to date are also being achieved.
8. This leaves a balance to be identified of £2.5m. A range of management action is being taken or is planned:
- The purchase card will be re-launched to increase take up and spend
 - Key suppliers will be targeted for procurement cards
 - Further West London and Pan-London projects will be undertaken
 - Detailed work with the People First contracts team is in progress to identify scope for further savings
9. At this stage a shortfall at year end of £2.2m is forecast.
10. So far this year the procurement team have delivered savings to schools and services funded by the PCT, or grants, to a value of £300k. A further sum £40k has been achieved against capital projects (these savings do not count towards the revenue budget target.)

Single Status, underspend of £200k

11. There is a forecast underspend of £200k against the provision for single status.

Agency Staff, underspend of £300k

12. There is a forecast underspend of £300k across the Council, following the measures introduced by the Chief Executive to mitigate spend through controls on recruitment and use of agency staff.

Support Service Charges, savings shortfall of £200k

13. The budget assumes a saving to the general fund of £340k. A detailed review of all support service charges is underway, and it is important to simplify the system as part of the implementation of ERP. We cannot amend charges to schools for 2005/06, but can adjust charges to pension fund, HRA and capital. The review will be complete by end of January at which point the financial implications for the general fund will be clearer. However, there is a risk that the full saving will not be delivered this year.

Business Development

Inspections, saving of £50k

14. Due to a reduction in the volume of best value inspection work there is a forecast saving.

Print Room, savings shortfall of £250k

15. A review of the print room is underway. However, the full saving is unlikely to be delivered this year.

Business Development Directorate, underspend of £300k

16. A detailed review of BD budgets has been undertaken and a net underspend of £200k has been identified to offset pressures.

Local Authority Business Growth Incentive (LABGI), income shortfall of £200k

17. LABGI is structured such that if the rateable value of businesses in the borough increases the Council retains part of the additional business rates. The scheme has a floor and ceiling and authorities are banded according to current rates of growth. Because Harrow is currently in the lowest band (with historic growth of 0.7%), the application of the floor means it will have additional income of £238k even if there is no increase in the rateable value. Growth at the historic level of 0.7% would generate an additional £476k. The budget for 2005/06 is based on the assumption that growth will be 1.4% and generate £714k. Therefore there is a risk that not all of the additional income will be achieved. We are awaiting the final guidance on how the calculation of rateable value will be done.

Chief Executive's Office

Land Charges, income shortfall of £250k

18. The budget for land charges is approximately £1m a year. Recovery of land charges is subject to trends in the housing market and therefore outside the control of the Council. Income is 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 (£250k) is expected at year-end.

People First

Children's Services, overspend of £170k

19. There are considerable risks around Children's services due to SEN transport, placement costs and agency staff. Steps have been taken to contain transport costs, for instance by transferring some pupils from taxis to coaches, however further action is subject to policy decisions. Demand for placements reflects need and is outside our control. However, the type of support provided is within our control. New arrangements are in place to agree new placements and each existing placement is being reviewed. A strategy is being developed to bring agency staff across onto permanent contracts with the Council.

Asylum Seekers, overspend of £350k

20. A detailed review of the expenditure and grant funding in relation to asylum seekers has recently been completed. The majority of this overspend relates to the funding of asylum seeking children over 18 with both positive [grant funding is received on caseloads over 44 per borough, and in Harrow there are only 18 in this category] and negative decisions [where no grant funding is received]. The Home Office have now confirmed that the Indefinite Leave to Remain claim will be paid to the Council, which will reduce the costs slightly. Overall there is a projected overspend of £0.4m across all client groups and costs of the asylum team. There is potential for a further reduction in respect of an additional ILR claim.

Community Care, overspend of £750k

21. The variation mainly represents:-

- Overspend on Home Care services by £950k across Learning Disability services, Older people services and Physical Disability services. Variation to be minimised by improved commissioning of services and realignment of budgets reflecting current service provision.

- An underspend of £164k on Mental Health Residential Home placements is expected as a result of placements procured by Health.
- An adverse variation of £210k is expected on Older People Nursing Home placements due to increase in demand.
- Significant increase in Physical Disability Nursing Home placements (£567k) due to reduction in Health funding.
- Underspend on Mental Health Day Care (£210k) represents surpluses in relation to the activities at the Bridge and Wiseworks.
- Decrease in expenditure (£458k) on Access and Systems Capacity, delayed discharge and carers grant.
- Underspend on staff costs amounting to £145k due to vacancies.

Learning and Community Development, underspend of £113k

22. The variation represents the ongoing impact of the reduction in Rateable value of On-Line Libraries (£61k) and underspends across Art & Cultural services (£87k).

Local Public Service Agreement, underspend of £150k

23. Savings anticipated due to the late start of three schemes.

Urban Living

24. A detailed review of UL budgets has been undertaken and the structure has now been finalised. Specific underspends and areas that will generate additional income (such as parking) have been identified to offset pressures.

25. Some of the key issues are summarised out below:

- Significant decrease in void costs (£150k) on temporary accommodation, which has been achieved by negotiation with the RSL's and closely monitoring and managing the procurement of new properties.
- Additional Highways Licences income (£20k), underspend on Trading Standards precept (£40k), salary underspend projected (£76k) and additional Fees & charges income (£40k).
- Re-phasing of Planned Highways expenditure, taking into account expected slippage (£1.1m)
- Parking enforcement projections ahead of budget (-£465k), underspend on salaries on Schools crossing patrols £25k.
- £200k Asset Management savings unlikely to be achieved.
- £140k overspend on Concessionary Fares to carry out assessment on the taxi card scheme and monitor the contract

Housing Revenue Account

26. The Housing Revenue Account forecast is within budget.

Interest on Balances and Capital Financing

27. The budget assumes investment income from cash balances of £4m. The interest rate reduction occurred earlier than anticipated. In addition our net cash flow has reduced – this is subject to a detailed review. For the time being a risk of £600k has been identified.

28. There is also a forecast overspend on capital financing costs of £0.2m.

Virements

29. There are no revenue virements, which require cabinet approval in this period.

Appendix 2

Budget Monitoring – Balances

1. The projected position at 31 March 2006 is set out below. The forecast balance at 31 March 2006 is currently below the agreed optimum level of £7m but above the agreed minimum level of £4m.

General Fund Reserves

	£m
Opening balance	7.0
NNDR Refunds	3.2
Transfer to Bad Debt Provision	-1.0
Net balance	9.2
Budget variations now reported	-4.1
Agreed Contribution to BTP	-1.0
Forecast balance at 31 March 2006	4.1

NNDR Refunds

2. The Council has received NNDR refunds of £3.2m. For accounting purposes these have been added to general fund balances as part of the close down of the 2004/05 accounts.

Bad Debt Provision

3. A full review of debt recovery policy, sums outstanding, write offs required and the adequacy of the provision is underway and this will be reported to cabinet later in the year along with a strategy for managing bad debts in future. As part of the closure of the 2004/05 accounts £1m has been added to the provision.

BTP

4. The contract is structured so that there are capital and revenue streams, guaranteed savings and potential additional savings. In addition to the contract price the Council will incur costs for the accommodation at Aspect Gate and day-to-day running costs. Due to the timing of payments and savings there is a net cost in the earlier years and a net saving in later years. Cabinet agreed at a special meeting in September to use reserves to cover these costs in the short term. The sums will be repaid to reserves in later years.

CAPITAL PROGRAMME MONITORING AS AT 31 DECEMBER 2005

	Expenditure to 31 Dec 2005 £000	Commitments £000	Total £000	Forecast Programme £000
Business Development	11,616	1,059	12,675	22,362
Chief Executive's	309	12	321	1,137
People First	4,649	736	5,385	6,391
Urban Living: non housing	12,073	5,074	17,147	31,909
Urban Living: Housing	4,262	333	4,595	13,624
Contingency Provisions	-	-	-	70
Capitalisation	930	-	930	1,240
Total	33,839	7,214	41,053	76,733

Note: To the end of the third quarter total committed expenditure is £41.05m. An assumption that there would be slippage of 15% this year was built into the financing calculation, in other words total anticipated spend is £65.2m. Therefore spend to date (including commitments) represents approximately 63% of the anticipated level of expenditure for the year.

	July Programme £000	Changes To date £000	This report £000	Forecast Programme £000
Business Development	16,540	+4,822	+1,000	22,362
Chief Executive's	1,637	-500	0	1,137
People First	9,270	-2,169	-710	6,391
Urban Living: non housing	30,718	+1,440	-249	31,909
Urban Living: Housing	15,837	-2,213	0	13,624
Contingency Provisions	700	-615	-15	70
Capitalisation	1,240	-	0	1,240
Total	75,942	+765	+26	76,733

Changes this quarter

Business Development

Increased Costs

HOST Social Care System +£1,000,000

The HOST Project Panel at its meeting on 1 December 2005 agreed an increase in the budget for 2005-06 of £1.0m and £0.4m in 2006-2007.

People First

Additional funding

Canons High New Opportunities Fund +£8,800

Whitmore High New Opportunities Fund +£10,300

The scope of both these schemes has been increased and funded by additional grant from the Big Lottery fund.

Elmgrove Soil treatment +£96,000

Additional costs on the contaminated soil works at Elmgrove School have been met by an increase in the Supported Capital Expenditure (revenue) SCE® approval issued by the Department for the Environment, Food and Rural Affairs (DEFRA).

Rephasing

HIV/AIDS supported tenancies SCE® -£825,000

It has not been possible to identify and complete the purchase of suitable properties within the financial year. As the approval can be carried forward to 2006-07 the budget can be rephased.

Urban Living: non housing

Increased Costs

Headstone Manor +£30,000

Additional monies are required to cover project manager salaries, which were not included in the original budget.

Civic Centre Accommodation Works +£900,000

Work to refurbish the Civic Centre and upgrade the working environment, commenced in 2002/3. A rolling programme was subsequently agreed within Harrow's overall capital programme, to complete the whole Civic Centre complex and areas of the Central Depot.

By the summer of 2005, the Executive Directors' suite, Committee rooms 1 and 2, Civic 5 and 6 (Exchequer Building) and approximately half of the third floor, had been designed, finished and re-occupied.

In order to undertake work that involved decanting staff, a lease was first taken for one floor of Premier House and funded as a revenue growth item. A later lease for the whole of Garden House was funded from the rolling capital refurbishment programme.

At Cabinet in October 2005, Members considered an amendment to the programme that would allow the refurbishment to be accelerated (which primarily involved two wings of the third and second floors being refurbished at the same time) but a decision was deferred pending further information.

The first phase of this accelerated programme is due for completion shortly and the second phase tenders were received in October. As a result of the Cabinet decision the second phase tenders were not accepted.

The Civic 5 and 6 project has significantly exceeded the initial estimate, due to additional works being required.

Outturn expenditure for 2005-06 is currently projected at £2.4M against budgetary provision of £1.5M. The additional cost of £900k will be contained within the overall 2005-06 Urban Living capital programme.

Additional funding

Air Quality Management +£6,000

Approval to SCE® funding has been received from DEFRA for the management of air quality in the Borough.

Savings

Wealdstone Regeneration Disabled Facilities -£300,000

This provision is no longer required as the expenditure has been met from the New Harrow Project Budget

Transfers

Civic Centre replacement of main entrance doors +£15,000

The Civic Centre main entrance doors are obsolete and in danger of failure. Although physically working at present there is concern that the doors could break down around the time that the First Contact Centre is opened. The cost will be met by the transfer of funds from the allocation for small schemes in the contingency provision.

Urban Living: housing

Nothing to report this quarter

Virements

The following virements are reported for approval by Cabinet in accordance with the Financial Regulations.

Business Development

The Web Refresh project has been established to facilitate the delivery of a new website that will adopt best practice for accessing information about the Council and be a key deliverable for First Contact. The full details of the scheme were reported to the Publications Advisory Panel on 9 February 2006. The increase in cost of £300,000 will be met by the virement of funds from the schemes for First Contact IT requirements (£150,000) and LPSA IT requirements (£150,000)

Urban Living: non housing

An increase in Highways planned maintenance has been met from savings on other Urban Living (non-housing) schemes.

Highways Maintenance	+£995,000
Traffic Management	-£50,000
New Harrow Project	-£50,000
Highways - Local Implementation Plan	-£50,000
Vehicle Rail Incursion	-£20,000
CCTV Control Room expansion	-£25,000
Graveyards additional space	-£90,000
Parks Infrastructure	-£160,000
Street Lighting improvements	-£250,000
Public Conveniences	-£300,000