

REPORT FOR: **CABINET**

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|---|--|
| Date: | 15 December 2010 |
| Subject: | Revenue and Capital Monitoring for Quarter 2 - as at 30 September 2010 |
| Key Decision: | Yes |
| Responsible Officer: | Myfanwy Barrett, Corporate Director Finance |
| Portfolio Holder: | Councillor Bill Stephenson, Leader and Portfolio Holder for Finance and Business Transformation |
| Exempt: | No |
| Decision subject to Call-in: | Yes |
| Enclosures: | Appendix 1 - Revenue commentary Appendix 2 - Capital Monitoring Appendix 3 - Housing Revenue Account Appendix 4 - Debt Management |

Section 1 – Summary and Recommendations

This report sets out the Council's revenue and capital monitoring position as at 30 September 2010.

Recommendations:

- (a) Note the revenue and capital forecast outturn position for 2010/11;
- (b) Approve virements as detailed in paragraph 11;
- (c) Approve contribution to earmarked reserves for Local Housing Allowance as detailed in paragraph 16; and
- (d) Approve the amendments to the Capital Programme as set out in appendix 2.

Reason

To present the forecast financial position and actions required to be taken.

Section 2 – Report

Introduction

1. This report summarises the monitoring position as at end of September 2010. The total projected outturn for the Council is £171.454m which represents an under spend of £0.231m. The outturn position for the Directorates is £192.612m against a latest budget of £191.961m, which represents an over spend of £0.651m, a variance of 0.3% of the net budget. This is an improvement of £2.489m on the previous quarter. The remainder of the improvement £0.882m mainly results from an under spend on the capital financing budget. All Directorates are taking action to mitigate the adverse variances along with the pressures and risks they are facing.

| Original Budget | Directorate | Latest Budget | Forecast Outturn | Variation | | | |
|-----------------|--------------------------------------|----------------|------------------|-------------|-------------|--------------|---------------|
| | | | | Quarter 2 | | QTR 1 | 2009/10 |
| £000 | | £000 | £000 | £000 | % | £000 | £000 |
| 21,691 | Corporate Finance | 19,869 | 19,869 | 0 | 0.0 | 100 | -712 |
| 1,174 | Legal and Governance | 3,517 | 3,625 | 108 | 3.1 | 40 | -36 |
| 5,076 | Chief Executive | 6,584 | 6,534 | -50 | -0.8 | 0 | -553 |
| 27,941 | Sub total Corporate | 29,970 | 30,028 | 58 | 0.2 | 140 | -1301 |
| 70,029 | Adults & Housing | 69,044 | 69,087 | 43 | 0.1 | 655 | -860 |
| 46,496 | Community and Environment | 46,465 | 46,872 | 407 | 0.9 | 1,235 | -1,171 |
| 40,437 | Children's | 41,882 | 42,070 | 188 | 0.4 | 1,038 | 1931 |
| 4,332 | Place Shaping | 4,600 | 4,555 | -45 | -1.0 | 72 | -373 |
| 189,235 | Directorate Total | 191,961 | 192,612 | 651 | 0.3 | 3,140 | -1,774 |
| 2,075 | Inflation and Corporate Items | 1,191 | 1,191 | 0 | 0.0 | 0 | -1,992 |
| -6,928 | Capital Financing, Investment Income | -6,899 | - 7,718 | -819 | 11.9 | 0 | -2,036 |
| -12,922 | Area Based Grant | -11,752 | - 11,815 | -63 | 0.5 | 0 | -38 |
| 225 | Earmarked Reserve and Provisions | 225 | 225 | 0 | 0.0 | 0 | 3,434 |
| 171,685 | Total | 174,726 | 174,495 | -231 | -0.1 | 3,140 | -2,406 |

Corporate Directorates

2. There is an overall improvement of £0.082m. Within this, Legal is reporting an over spend of £0.108m mainly resulting from a shortfall in income from land charges (£0.075m). This is partly off set by under spends on the Chief Executive's department by maintaining vacancies. Corporate Finance is forecasting a balanced position by utilising surplus bad debt provision on Council Tax court costs and under spends on Pension Augmentation payments to mitigate pressures from in year spending cuts

Adults and Housing

3. Adults and Housing is forecasting an over spend of £0.043m which is an improvement of £0.612m from the position reported at quarter 1. The action taken to reduce this over spend results mainly from a reduction in the use of agency staff in Adults; the application of grant funding; and more efficient use of temporary accommodation in Housing. There are a number of other offsetting variations which help reduce the overspend further to the position now reported, which includes managing down the projected over spend on the Integrated Community Equipment Store (ICES) following its planned transfer to Medequip in December. There are further risks and challenges

which may impact the end of year position. These include potential risks dependant upon the financial position of the Primary Care Trust (PCT) and the sustainability of reducing costs over the longer term from the reablement pilot..

Children's Services

4. Children's Services have a projected overspend of £0.188m. This is an improvement of £0.850m since last quarter. This variance takes account of the additional funding of £1m to mitigate budget pressures and the in year budget cuts of £0.220m. The main areas of improvement are:-
- Special Needs Transport for which the forecast overspend has reduced by £0.212m since quarter 1 resulting mainly from route optimisation for the 10/11 academic year;
 - Safeguarding, Family Placement and Support where the forecast variance has decreased by £0.188m resulting mainly from the movement of a high cost secure placement into semi independent living; and
 - Leaving care adverse variance has decreased by £0.189m following a review of all placements and highlighting opportunities where young people over 18 can be moved out of agency and residential placements into independent living or supported lodgings.
5. However, there remains significant pressure and risks on Leaving Care, Special Needs Services and Safeguarding, Family Placement and Support.

Community and Environment Services

6. Community and Environment are forecasting an over spend of £0.407m. This is an improvement of £0.828m since quarter 1. The over spend mainly emanates from Environment; parking enforcement under recovery of income £0.547m; environmental health £0.185m over spend on Animal Services (pest control); and Property and Infrastructure, £0.088m various offsetting pressures. These pressures are partly offset by an under spend on Directorate Support and Performance of £0.246m, which includes £0.100m saving from the implementation of the Waste Services transformation business case., and. a reduction in business rates of £0.106m across Libraries.

Place Shaping

7. Place Shaping is forecasting a minor under spend of £0.045m. This net favourable position is due to vacancy management partly offset by pressures on planning income of £0.208m and £0.144m on fees and charges due to a change in Building Control Charges legislation. The reduction in Building Control income remains a risk.

Capital Financing and Corporate Items

8. Following further work on corporate budgets, the forecast position shows an under spend of £0.882m resulting from capital financing budgets (£0.819m) and Area Based Grant (£0.063m). The unused pay Inflation provision of £0.800m, based upon a 1% uplift which was not awarded, is being used to provide additional upfront funding to the Transformation Programme. This is £0.424m as detailed in paragraph 12. and £0.346m was approved by the Cabinet at its meeting of 28 October to fund the Special Needs Transport Transformation Business Case.

Carry Forwards

9. From the total carry forwards from 2009/10 of £2.153m, £1.978m has now been allocated. The unallocated balance of £0.175m in respect of Smart Water Project (£0.075m), NNDR Hardship Fund (£0.050m) and Management Development Programme (£0.050m) has now been surrendered and is held in the Corporate Items budget to be used to fund corporate pressures.

Housing Revenue Account (HRA)

10. The Housing Revenue Account is included at Appendix 3. The overall position in year is a deficit of £1.501m compared to the approved deficit of £1.526m. This is a favourable variance of £0.025m resulting in the HRA forecast balances of £3.283m.

Virements for approval

11. One off virements are recommended to fund various corporate pressures as detailed in the table below:

| Description | From £000 | To £000 |
|--|--------------|------------|
| Transformation Programme Professional Fees | | 97 |
| Transformation Programme Adults Consultation cost | | 80 |
| Pay Award | 177 | |
| Cost of carrying out asbestos surveys on Schools and Corporate Accommodation following Health and Safety Executive improvement notice. | | 247 |
| Pay Award | 247 | |
| Capital Investigation cost (see paragraph 18) | | 150 |
| Audit Fees (see paragraph 18) | 150 | |
| Total | 574 | 574 |

12. In addition to the above, October Cabinet approved following virements to fund Business Cases on Transformation Programme in respect of Public Realm, Libraries and Special Needs Transport.

| Description | From | To |
|---|----------------|----------------|
| Public Realm Cost | | 121,410 |
| Transformation Carry Forward | 54,410 | |
| Public Realm Savings allocated to Community and Environment | 67,000 | |
| Libraries including RFID Cost | | 29,000 |
| Transformation Carry Forward | 9,000 | |
| Libraries including RFID savings allocated to Community and Environment | 20,000 | |
| Special Need Transport cost | | 686,000 |
| Pay Award | 346,000 | |
| Transformation Carry Forward | 340,000 | |
| Total | 496,410 | 836,410 |

13. The proposed virements in paragraph 11 and approved virements in paragraph 12 are temporary virements and therefore do not require Council approval.

Reserves and Provisions

14. The Council must hold adequate provisions, reserves and balances against known and anticipated events and in respect of its statutory duties as appropriate. All these provisions are reviewed on a quarterly basis. As at quarter two the Council has adequate provisions in respect of Insurance, Litigation and Employment cases.
15. General balances stand at £6.294m. After allowing for the forecast revenue under spends of £0.231m, the latest consolidated general balances position is forecast as £6.525m at the end of September.
16. During 2010/11 £0.300m grant was allocated to the Council to assist with the implementation of Local Housing Allowance changes to be implemented next year. It is recommended that this is held centrally in an earmarked reserve to ensure all associated costs can be offset by the grant.

Capital Investigation

17. There is a report elsewhere on the Agenda detailing the Capital Investigation which the Council instigated in late August 2010 following the surfacing of significant management, control and reporting failures on capital projects in Children's. Rita Greenwood, George Curran and Price Waterhouse Cooper (PWC) have carried out the investigation on behalf of the Council. As a result of these failures, there is a reported overspend on the Capital Programme of £6.3m. Of this £7.8m relates to Children's Services, mainly schools. This is offset by £1.5m of projected under spends in other areas. Annex 2 provides a summary as per the approved Capital Programme.

Capital Programme Summary

18. The summary Programme is reported at Appendix 2. The forecast outturn is £67.874m against the latest capital programme of £61.557m. The approved changes during the quarter increased the programme by £3.5m which are grant funded. It is clear that there are still some outstanding invoices on completed Children's schemes which are in some cases more than 1 year old. It is therefore possible that there will be some further movement on the over spend, although this is unlikely to be significant. The Corporate Director of Finance in consultation with the Portfolio Holder and Leader is authorising all additional capital expenditure in year in order to minimise non urgent expenditure.
19. The recommendations of the Capital Investigation will be fully implemented as a matter of priority, and a system review is underway with some immediate improvements already implemented. The estimated cost of the capital investigation carried out by PWC and Rita Greenwood Associates is £0.150m and this can be funded from under spends on the Audit fees which resulted mainly from over accruals.

Debt Management

20. The latest position on Council Tax shows a potential surplus on the bad debt provision of £1.520m. As part of the budget setting process for 2011/12, this surplus will be taken into account and reported to the January Cabinet as part of the estimated surplus on the Collection Fund.

21. National Non Domestic Rates collection shows a potential overprovision of £1.131m. This position will be closely monitored. There is no direct financial impact on the Council as business rates are a call on the national non-domestic rate pool of central government.

22. The arrears on Housing Benefits show a potential increase in the Bad Debt Provision of £0.642m which will be funded from the housing benefit overpayment grant and is incorporated within the forecast outturn.

23. Other bad debt provisions for Sundry Debtors, Housing Revenue Account and Court Costs are in line with the policy. These are monitored on a regular basis and any variation will be incorporated within the forecast outturn.

24. The table below summarises the sundry debts which were written off during the first half of the financial year. The individual debts all fall below the threshold of £10,000 for which the Corporate Director of Finance has the delegated authority to write off.

| Description | £000 |
|--------------------------------------|-----------|
| Allotments | 2 |
| Bed & Breakfast | 1 |
| Community & Environment | 1 |
| Highway Network Management | 11 |
| Leasehold | 10 |
| Property & Development | 2 |
| Rechargeable Works Order | 8 |
| Respite Care for Social Care Clients | 4 |
| Trade Refuse | 2 |
| | |
| Total | 41 |

Financial Implications

25. Financial matters are integral to the report.

Environmental Impact

26. There are none directly related to this report.

Performance Issues

27. Good financial performance is essential to achieving a balanced budget. The financial performance is integrated with the strategic performance of the Council through quarterly Improvement Boards for each Directorate where the financial position is considered at the same time as performance against key projects, service KPIs (including customer data and complaints) and workforce. Monitoring of finance and performance are both reporting regularly to the Corporate Strategic Board and Cabinet and also are considered by the Council's Performance and Finance Scrutiny Committee.

Risk Management Implications

28. The risks to the council are clearly set out in the report and how they are being managed.

Risk included on Directorate risk register? Yes
Separate risk register in place? No

Equalities Implications

29. There is no direct equalities impact.

Corporate Priorities

30. This report deals with the Revenue and Capital monitoring which is a key to delivering the Council's corporate priorities.

Section 3 - Statutory Officer Clearance

| | | |
|------------------------|-------------------------------------|--|
| Name: Myfanwy Barrett | <input checked="" type="checkbox"/> | Chief Financial Officer |
| Date: 24 November 2010 | | |
| Name: Jessica Farmer | <input checked="" type="checkbox"/> | on behalf of the Monitoring Officer |
| Date: 24 November 2010 | | |

Section 4 – Performance Officer Clearance

| | | |
|------------------------|-------------------------------------|---|
| Name: Alex Dewsnap | <input checked="" type="checkbox"/> | Divisional Director Partnership Development & Performance |
| Date: 24 November 2010 | | |

Section 5 – Environmental Impact Officer Clearance

| | | |
|------------------------|-------------------------------------|---|
| Name: John Edwards | <input checked="" type="checkbox"/> | Divisional Director Environmental Services |
| Date: 23 November 2010 | | |

Section 6 - Contact Details and Background Papers

Contact: Jennifer Hydari (Divisional Director, Finance & Procurement)
Tel: 020-8424-1393 / Email: jennifer.hydari@harrow.gov.uk

Background Papers: None

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

Appendix 1

CORPORATE

| Service | Revised Budget | Forecast Outturn | Variance | | | |
|--------------------------------|----------------|------------------|------------|-------------|------------|---------------|
| | | | Period 06 | | Period 03 | 2009/10 |
| | | | £000 | % | £000 | £000 |
| Corporate Finance - main | 19,624 | 19,624 | 0 | 0 | 100 | -332 |
| Corporate Items - CF | 245 | 245 | 0 | 0 | 0 | -380 |
| Corporate Finance Total | 19,869 | 19,869 | 0 | 0 | 100 | -712 |
| Legal & Governance | 3,517 | 3,625 | 108 | 3.1 | 40 | -36 |
| Asst Chief Exec Dept | 6,559 | 6,504 | -55 | -0.8 | 0 | -532 |
| Corporate Items - ACE | 25 | 30 | 5 | 20.2 | 0 | -21 |
| Chief Executive Total | 6,584 | 6,534 | -50 | -0.8 | 0 | -553 |
| Total | 29,970 | 30,028 | 58 | 0.2 | 140 | -1,301 |

Corporate Finance

- The main pressures within the department relate to pay costs in Health & Safety and Financial Assessments and the in-year cut. These are being contained through vacancy management across the department, a saving on pension augmentation payments and improved debt recovery on council tax costs. IT pressures reported previously are now contained within existing budgets. There is a larger saving than previously reported on audit fees and this is being used to pay for additional audit costs arising from the capital investigation, which is elsewhere on the agenda.

Chief Executive

- The department is maintaining a number of vacancies. This has enabled the directorate to achieve its share of the additional in year cuts and a further favourable forecast variance of £0.050m.

Legal & Governance Services

- The department is projecting an increased over spend rising from £0.040m to a projection of £0.108m. This arises from the following:
 - A projected shortfall of £0.064m in income from local searches, (the Council's ability to charge for this service has been adversely impacted by a recent Information Commissioner ruling); and
 - Additional cost of postal voting in the Borough Elections of £0.0125m
 The above pressures have been covered partly through staff cost savings across the Directorate of £0.081m.

ADULTS AND HOUSING

| Service | Revised Budget | Forecast Outturn | Variance | | | |
|-------------------------------|----------------|------------------|-----------|------|-----------|---------|
| | | | Period 06 | | Period 03 | 2009/10 |
| | | | £000 | % | £000 | £000 |
| Community Care | 40,746 | 40,812 | 66 | 0.2 | 85 | -484 |
| Commissioning & Partnerships | 17,004 | 16,853 | -151 | -0.9 | 259 | -72 |
| Personalisation & Development | 4,810 | 4,841 | 31 | 0.6 | 96 | -50 |
| Strategic Management | 1,266 | 1,371 | 105 | 8.3 | 114 | -16 |
| Transformation | 301 | 282 | -19 | -6.3 | 0 | 0 |

| | | | | | | |
|-----------------------|---------------|--------------|------------|-------------|------------|-------------|
| Adult Services | 64,127 | 64,159 | 32 | 0.1 | 554 | -622 |
| Housing GF | 4,917 | 4,928 | 11 | 0.2 | 101 | -238 |
| Total | 69,044 | 69,087 | 43 | 0.1 | 655 | -860 |
| HRA | 1,526 | 1,501 | -25 | -1.6 | 116 | -697 |

4. The department is working towards a balanced position for the end of the financial year, and this is evidenced in the reduction in the forecast outturn from that reported at the end of quarter 1. This is a significant achievement given the in year budget reduction and the forecast overspend of £0.655m reported for quarter 1.
5. The decrease in the forecast over spend has been achieved by a reduction in agency staff [Adults], the application of grant funding and more efficient use of temporary accommodation [Housing]. There are a number of other offsetting variations which reduce the over spend further and include managing down the overspend associated with the Integrated Community Equipment Service (ICES) following the transfer to Medequip in December.

Community Care

6. The over spend mainly results from pressures on care management and purchasing budgets for the Learning Disability service and increased use of Crossroads to support carers in the Older People service. This is partly off set by an under spend on placement costs in respect of Physical Disability service.

Commissioning & Partnerships

7. The improved position since quarter 1 mainly relates to:-
 - Additional income from the Helpline service;
 - Salary under spends on the Frameworki revenue budget;
 - ICES is now anticipated to be balanced following the transfer of the service to Medequip at the beginning of December; and
 - Consortium of North West London (CNWL) has reassured the Council that Mental Health services will be delivered on budget.

Personalisation & Development

8. A number of minor under spends reduce the over spend in relation to the route optimisation efficiencies. There is a risk of £0.75m associated with the penalty costs of the cancellation of 6 vehicles ordered through Fraikin, however, this has not been included as it is expected that these costs will be negotiated down to a much lower figure. This is being monitored.

Strategic Management

9. The over spend results from increased bad debt provision for homecare debt.

Housing GF

10. A broadly balanced position across the service. Further pressures are anticipated as a result of the review of Care Services at Watkins House in relation to regulatory requirements.

COMMUNITY AND ENVIRONMENT SERVICES

| Service | Revised Budget | Forecast Outturn | Variance | | | |
|-----------------------------------|----------------|------------------|-----------|-------|-----------|---------|
| | | | Period 06 | | Period 03 | 2009/10 |
| | | | £000 | % | £000 | £000 |
| Community & Culture | 9,889 | 9,759 | -130 | -1.3 | -68 | -12 |
| Environment | 35,766 | 36,549 | 783 | 2.2 | 1,432 | -1,022 |
| Directorate Support & Performance | 810 | 564 | -246 | -30.4 | -129 | -137 |
| Total | 46,465 | 46,872 | 407 | 0.9 | 1,235 | -1,171 |

Community & Culture

11. Community & development is forecasting £0.032m under spend; this is largely due to lower staff costs in community lettings.

There is a risk of £0.146m which is not included in the outturn relating to Grant appeals that have been referred to independent arbitration.

12. Cultural Services is forecasting a favourable variance of £0.059m due to the deferral of the leisure services management contract re-tender. There is also recovery of RPI on recoupment income from Leisure Connections of £0.098m; however this additional windfall has been vired to fund emergency capital work at Harrow Art Centre.

13. Libraries and Museums is forecasting £0.98m under spend largely due to rates for the year being lower (£0.060m) and general under spends across the area (£0.038m). These under spends will be used to manage the cost of the Sunday opening (£0.015m). Future funding of Sunday opening of the Central library will be built into the Radio Frequency Identification technology (RFID) business case.

With the proposed relocation of the PCT and Health Living centre at the Wealdstone Centre, up to £0.077m of rental income is at risk.

Environment

14. Community and Safety is forecasting an adverse variance of £0.643m as detailed below:-

- Parking Enforcement is currently forecasting an over spend of £0.646m mainly resulting from staff costs to monitor the new cameras, under recovery of enforcement income (£0.547m) resulting from prevailing trading conditions and increase in compliance and replacement of CCTV system hardware;
- Environmental Health is forecasting an adverse variance of £0.135m resulting from an overspend on Animal Services. Current forecasts suggest that the pest control service will not be able to generate sufficient income to meet budget, and this is being addressed by the service.
- Car parks are forecasting to be £0.043m overspent. This is due to lower forecasted machine income and the loss of rental income at Queens House Multi Storey Car from a former tenant; This is offset by a favourable variance of £0.168m resulting from vacancies in various areas.

15. Property & Infrastructure is forecasting an overspend of £0.086m resulting from:

- Emergency gas repairs (£0.042m), building cleaning (£0.034m) and refuse/recycling costs (£0.011m).
- A reduction in Minor works capital income (£0.293m) and schools SLA income (£0.048m) due to schools going to alternative providers for maintenance;
- A reduction in capital income for Asset Management & Contracts (£0.200m) and Major Works (£0.056m). It is unlikely that this income will be chargeable as result of decline in work;
- Above inflationary increases in traffic signal charges from TFL (£0.019m); and
- Lost income from the Civic Centre Visitors Car Park following damage to the barrier and the cost of its replacement (£0.020m);

The above over spends are offset by opportunities identified below:

- Under spends on salaries (£0.457m) in Minor Works following a review of budgets;
- Additional income (£0.088m) in Harrow Stay Put mainly due to charging for in house CAD services;
- Increased income (£0.063m) from Civic Centre/Depot sublets; and
- Under spends on general overheads in the Engineering Design Unit (£0.020m) and Harrow Stay Put (£0.017m).

16. Public Realm services are forecasting to overspend by £0.054m resulting from not achieving income targets for Trade Waste and Civic Amenity (CA) site as a result of the downturn in the building industry. An opportunity is currently in negotiation for discount for payment in advance for the Fraikin contract.

Directorate Support & Performance

17. Directorate Support & Performance are reporting a favourable variance of 0. £246m. This mainly results from waste RFID case (£0.100m) which was agreed after the budget was set in February, £0.106m relating to NNDR rebate for libraries and £0.029m from other savings. This will contribute towards the in year savings target of £0.300m.

CHILDREN'S SERVICES

18. The 2010/11 forecast outturn for Children's Services, as at period 6, is a projected over spend of £0.188m. This variance takes account of the additional funding of £1m to mitigate budget pressures and the in year budget cuts of £0.220m agreed by Cabinet in July. The £0.220m budget reduction is being met from reductions in expenditure on the Extended Schools of £83k with the remaining £0.137m savings to be achieved from Achievement & Inclusion Service.

| Service | Revised Budget | Forecast Outturn | Variance | | | |
|--|----------------|------------------|------------|------------|--------------|--------------|
| | | | Period 06 | | Period 03 | 2009/10 |
| | | | £000 | % | £000 | £000 |
| School Development | 2,109 | 2,109 | 0 | 0 | 0 | -147 |
| Children's Services Management | 1,634 | 849 | -785 | -48.0 | -916 | -130 |
| Schools Quality and Commissioning | 1,859 | 1,859 | 0 | 0 | 20 | -32 |
| Early Years Service | 1,363 | 1,273 | -90 | -6.6 | -90 | -10 |
| Safeguarding, Family Placement and Support | 13,587 | 13,876 | 289 | 2.1 | 477 | 584 |
| Special Needs Service | 8,570 | 8,938 | 368 | 4.3 | 622 | 756 |
| Young People's Service | 7,491 | 7,897 | 406 | 5.4 | 925 | 958 |
| Schools | 5,269 | 5,269 | 0 | 0 | 0 | -48 |
| Total | 41,882 | 42,070 | 188 | 0.4 | 1,038 | 1,931 |

Children's Services Management

19. Of the £1m funding provided for budget pressures £0.084m has been allocated to Safeguarding, Family Placement and Support to offset additional social worker costs. The remaining allocation will be held centrally and will be used to offset overspends elsewhere in Children's Services.

Safeguarding, Family Placement and Support

20. The £0.289m pressure identified in Placements mainly relates to Honeypot Lane Residential Care Home due to staff costs coupled with not achieving the income target for selling vacant places to neighbouring boroughs. The proposal to reconfigure the service at Honeypot Lane addresses this budget pressure however given the timescales the savings are unlikely to be fully realised until 2011/12.

Special Needs Service

21. A full review of the Special Needs Transport Service identified potential efficiencies totalling around £0.800m. These efficiencies are centred around the procurement of a new fleet, using route optimisation software to reduce the number of vehicles needed, claiming Bus Service Operator's Grant and a revised spot hire contract. A delay in implementation means that only part year savings have been achieved in 2010/11, plus new routes were required which increased the forecast overspend to £0.336m. This is an improvement of £0.212m on quarter 1 due to the service ensuring maximum efficiencies in designing the new routes for the 2010/11 academic year.

Young People's Service

22. Based on the current cohort of Unaccompanied Asylum Seeking Children (UASC) there is a forecast pressure of £0.215m in 2010/11. The grant provided by the UK Border Agency does not fully cover the cost of the service and the level of grant income reduces significantly as the age of the cohort increases. In previous years this shortfall has been partially offset by a USAC Special Circumstances Grant but this grant is not expected in 2010/11.

23. In addition to the above, there is an adverse variance of £0.520m on Leaving care, a reduction from £709k at quarter 1. This is due to savings on placement costs and the reduction in Leaving Care provision assumed in the MTFs not being deliverable. A series of panels were held to review all placements, starting with the older children in Leaving Care. This helped reduce the forecast overspend by highlighting opportunities where young people over 18 can be moved out of agency and residential placements into independent living or supported lodgings.

Place Shaping

| Service | Revised Budget | Forecast Outturn | Variance | | | |
|--|----------------|------------------|------------|-------------|-----------|-------------|
| | | | Period 06 | | Period 03 | 2009/10 |
| | | | £000 | % | £000 | £000 |
| Business Management | 1,175 | 1,114 | -61 | -5.2 | -89 | -217 |
| Planning Services | 2,798 | 2,885 | 87 | 3.1 | 177 | -13 |
| Economic Development Research & Enterprise | 911 | 842 | -69 | -7.6 | -51 | 81 |
| Major Development Projects | 2 | 1 | -1 | -50.0 | 1 | -141 |
| Corporate Estate | -286 | -287 | -1 | 0.3 | 34 | -83 |
| Total | 4,600 | 4,555 | -45 | -1.0 | 72 | -373 |

Business Management

24. The £0.061m under spend is mainly attributed to staff cost savings (£0.062m) due to a reduction in agency staff and additional income (£0.032m) from re-charges to capital projects. This is offset by the in year savings target (£0.040m).

Planning Services

25. In total the current outturn position for Planning Services is £0.087m over spent against budget. This is primarily as a result of the reduction in income (£0.208m) due to the economic downturn and additional costs for the preparation of future appeals (£0.052m), which is partly offset by salary savings detailed below:

- Design & Conservation has an under spend of £0.071m against budget mainly due to salary savings (£0.080m) as a result of several posts being held vacant and BAP monies (£0.024m) from S106 to part fund the Biodiversity Officer post. The savings are partially offset by a reduction in capital recharges;
- Development Management is forecasting a favourable variance resulting mainly from employee costs (£0.135m). This is offset by a reduction in fees and charges (£0.079m) due to the downturn in the economic climate and additional preparation costs for on-going and future appeals (£0.052m); and
- Building Control's forecast outturn is £0.144m over budget. This is mainly due to reduction in fees and charges (£0.132m) due to the economic downturn. It is anticipated that income will also be

adversely affected following the change in Building Control Charges legislation.

Economic Development Research & Enterprise

26. An under spend of £0.069m is predicted mainly due to savings on controllable costs (£0.022m) and salary savings (£0.098m) as a result of staff vacancies, including a Tourism Officer and a Town Centre Liaison Officer post which is being held vacant for the full year. The savings are offset by a reduction in recharges to capital and reduced income from fees and charges. A new research officer for the census was recently appointed on a six month contract.

Corporate Estate

27. The forecast is more or less in line with budget.

Appendix 2

| Capital Monitoring as at 30 September 2010 | | | | | | | | | | |
|---|----------------------------------|---|---------------------------------|---------------------------|----------------|---------------------------------|---------------------|--------------|---|---|
| | Original Capital Programme | Cabinet Changes approved b/f & Qtr 1 | Revised Capital Programme | Additions / Reductions | Rephasings | Revised Capital Programme | Forecast Outturn | Variance | Actual + Commitments as at period 6 | % Spend as at period 6 of Revised Budget |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | % |
| General Fund | | | | | | | | | | |
| Corporate Finance & Strategy | 8,800 | 3,456 | 12,256 | 869 | - 510 | 12,615 | 12,610 | - 5 | 750 | 6 |
| Children's Services | 13,978 | 13,020 | 26,998 | 1,950 | - | 28,948 | 36,755 | 7,807 | 26,151 | 90 |
| Adults and Housing GF | 2,610 | 2,064 | 4,674 | 312 | - | 4,986 | 4,434 | - 552 | 1,027 | 21 |
| Community and Environment | 10,230 | 1,750 | 11,980 | 400 | - | 12,380 | 12,342 | - 38 | 5,980 | 48 |
| Place Shaping | 2,000 | 1,318 | 3,318 | - | - 1,100 | 2,218 | 1,323 | - 895 | 18 | 1 |
| Capitalisation | 410 | - | 410 | - | - | 410 | 410 | - | 160 | 39 |
| Total GF Programme | 38,028 | 21,608 | 59,636 | 3,531 | - 1,610 | 61,557 | 67,874 | 6,317 | 34,086 | 55 |
| Funding | | | | | | | | | | |
| Grant | 11,329 | 14,720 | 26,049 | 3,131 | - 257 | 28,923 | 30,265 | 1,342 | 18,300 | 63 |
| Capital Receipt | - | - | - | - | - | - | 8,000 | 8,000 | - | |
| Borrowings | 26,699 | 6,888 | 33,587 | 400 | - 1,353 | 32,634 | 29,609 | - 3,025 | 15,786 | 48 |
| Total GF Funding | 38,028 | 21,608 | 59,636 | 3,531 | - 1,610 | 61,557 | 67,874 | 6,317 | 34,086 | 55 |
| HRA | 7,610 | 2,072 | 9,682 | 791 | - | 10,473 | 10,380 | - 93 | 6,061 | 58 |
| Funding | | | | | | | | | | |
| Major Repair Allowance | 3,932 | | 3,932 | - | | 3,932 | 3,932 | - | 3,932 | 100 |
| Grant | - | 181 | 181 | 328 | | 509 | 496 | - 13 | 132 | 26 |
| Capital Receipt | 250 | | 250 | 463 | | 713 | 687 | - 26 | 532 | 75 |
| RCCO | 500 | | 500 | - | | 500 | 500 | - | 500 | 100 |
| Borrowings | 2,928 | 1,891 | 4,819 | - | | 4,819 | 4,765 | - 54 | 965 | 20 |
| Total HRA Funding | 7,610 | 2,072 | 9,682 | 791 | - | 10,473 | 10,380 | - 93 | 6,061 | 58 |

Housing Revenue Account forecast outturn position as at 30 September 2010

| | Approved Budget 2010-11 £000 | Forecast Outturn 2010-11 £000 | Variation £000 | Outturn variation 2009-10 | Explanation of variation |
|--------------------------------|------------------------------------|--|-------------------|---------------------------------|--|
| Operating expenditure : | | | | | |
| Employee Costs | 1,498 | 1,578 | 80 | -82 | The variation reflects the budgetary solution in relation to Access Harrow, and will be offset by a reduction in the bad debt provision. |
| Supplies & Services | 536 | 561 | 25 | -41 | Higher than anticipated printing costs in respect of Asbestos awareness and legal fees. |
| Utility cost (Water & Gas) | 186 | 186 | 0 | -84 | |
| Estate & Sheltered Services | 2,378 | 2,577 | 199 | 221 | The forecast overspend includes costs of £155k associated with the Leasehold review, together with £91k increased warden cost arising from backdated impact of job evaluations. These are offset by reduced electricity costs of £81k over accrued in 2009/10. |
| Central Recharges | 2,893 | 2,893 | 0 | -20 | |
| Sub-Total | 7,491 | 7,794 | 303 | -6 | |
| Repairs expenditure : | | | | | |
| Repairs - Voids | 554 | 684 | 130 | 302 | The unit cost of void has increased from £1,181 to £1,497 resulting mainly from asbestos works. |
| Repairs - Responsive | 2,635 | 2,383 | -252 | 115 | The favourable position results from a drop in unit cost from £116.54 to £102. |
| Repairs - Other | 2,092 | 1,857 | -235 | -454 | Under spend relates to anticipated recoupment of £193k from external decorations programme, together with an under spend on salaries arising from the Asset Management restructure. |
| Sub-Total | 5,281 | 4,924 | -356 | -37 | |
| Other expenditure: | | | | | |
| Contingency - general | 200 | 200 | 0 | -484 | |
| Charges for Capital | 6,916 | 6,729 | -187 | -896 | The variation represents a lower level of borrowing as a result of anticipated recoupment from Section 20 notices in relation to capital works and a reduction in interest rates. |
| RCCO | 500 | 500 | 0 | 0 | |
| Bad or Doubtful Debts | 250 | 200 | -50 | -114 | Improvements in rent collection have resulted in a reduction in the required provision. |
| HRA Subsidy | 6,178 | 6,314 | 136 | 633 | The variation on the Subsidy largely offsets the related variation on Charges for Capital |
| Sub-Total | 14,044 | 13,944 | -101 | -860 | |
| Total Expenditure | 26,816 | 26,662 | -154 | -904 | |
| Income | | | | | |
| Rent Income – Dwellings | 22,425 | 22,322 | 103 | 190 | The adverse variation is attributable to non routine voids. The position is compounded by the impact of asbestos works. |
| Rent Income – Non Dwellings | 841 | 803 | 38 | 44 | This variation comprises increased void rate on garages, rent loss from the demolition of 14 garages [£10k] and lower level of commercial rent income reflecting vacant premises [£12k]. |

| | Approved Budget 2010-11 £000 | Forecast Outturn 2010-11 £000 | Variation £000 | Outturn variation 2009-10 | Explanation of variation |
|--|---|--|---------------------------|--|------------------------------------|
| Service Charges - Tenants | 1,164 | 1,170 | -6 | 14 | |
| Service Charges - Leaseholders | 518 | 518 | 0 | -11 | |
| Facility Charges | 497 | 488 | 9 | 10 | Minor variations reflecting voids. |
| Interest | 6 | 6 | 0 | 9 | |
| Other Income | 80 | 88 | -8 | -49 | |
| Transfer from General Fund | 163 | 163 | 0 | 0 | |
| Total Income | 25,694 | 25,559 | 136 | 207 | |
| Housing Ambition Plan ("HAP") / Asset Management | 405 | 398 | -7 | 0 | |
| In Year Deficit / (Surplus) | 1,526 | 1,501 | -25 | -697 | |
| Balance b/fwd | -4,784 | -4,784 | | | |
| Balance c/fwd | -3,258 | -3,283 | | | |

Appendix 4

Council Tax

Currently, bad debt provisions of £4.636m exist [£5.202m- £0.566m; w/off's done 01/04/10-30/09/10] for Council Tax against a potential BDP of £3.116m before the 2010/11 contribution, for debts accrued to 31 March 2010.

| Council Tax | Arrears outstanding as at 1 st of April 2010 | Arrears outstanding as at Qtr 2 | BDP as per approved rate card | Bad Debt requirement as at Qtr 2 |
|--------------|---|---------------------------------|-------------------------------|----------------------------------|
| | £000 | £000 | % | £000 |
| Pre 2006-07 | 590 | 522 | 100 | 522 |
| 2006-2007 | 630 | 549 | 86 | 472 |
| 2007-2008 | 1,073 | 869 | 73 | 634 |
| 2008-2009 | 1,668 | 1,217 | 54 | 657 |
| 2009-2010 | 3,410 | 1,933 | 43 | 831 |
| Total | 7,371 | 5,090 | | 3,116 |

National Non Domestic Rates (NNDR)

Currently, bad debt provisions of £2.695m [£3.000m-£0.305m; w/off's done 01/04/10 to 30/09/10] exist for business rates (NNDR) against a potential BDP of £1.564m. But as the business rates are a call on the national non-domestic rate pool of central government there is no financial affect to this Authority.

| NNDR | Arrears outstanding as at 1 st of April 2010 | Arrears outstanding as at Qtr 2 | BDP as per approved rate card | Bad Debt requirement as at Qtr 2 |
|--------------|---|---------------------------------|-------------------------------|----------------------------------|
| | £000 | £000 | % | £000 |
| Pre 2009-10 | 1,236 | 535 | 100 | 535 |
| 2009-10 | 2,123 | 1,029 | 100 | 1,029 |
| Total | 3,359 | 1,564 | | 1,564 |

Council Tax and National Non Domestic Rates Court Cost

Currently, bad debt provision of £0.700m exists for Court Costs against a potential BDP of £0.664m. There is a minor over provision of £0.036m and the position will be kept under review.

| Court Cost | Arrears outstanding as at 1 st of April 2010 | Arrears outstanding as at Qtr 2 | BDP as per approved rate card | Bad Debt requirement as at Qtr 2 |
|--------------|---|---------------------------------|-------------------------------|----------------------------------|
| | £000 | £000 | % | £000 |
| Pre 2006-07 | 82 | 67 | 100 | 67 |
| 2006-2007 | 112 | 94 | 86 | 80 |
| 2007-2008 | 197 | 159 | 73 | 116 |
| 2008-2009 | 318 | 227 | 54 | 122 |
| 2009-2010 | 534 | 347 | 43 | 149 |
| 2010-2011 | 0 | 436 | 30 | 130 |
| Total | 1,243 | 1,330 | | 664 |

Housing Benefits

Currently, bad debt provisions of £1.885m [£1.955m - £0.070m w/off's 1/4/10 to 30/9/10] exist for Housing Benefit overpayment debt against a potential BDP of £2.527m. There is an under provision of £0.642m. This is incorporated within the forecast figures and the position will be kept under review.

| Housing Benefit | Arrears outstanding as at Qtr 1 | Arrears outstanding as at Qtr 2 | BDP as per approved rate card | Bad Debt requirement as at Qtr 2 |
|-----------------|---------------------------------|---------------------------------|-------------------------------|----------------------------------|
| | £000 | £000 | % | £000 |
| Pre 2008-09 | 1,290 | 918 | 100 | 918 |
| 2008-09 | 1,022 | 737 | 75 | 552 |
| 2009-10 | 2,302 | 1,575 | 40 | 630 |
| 2010-11 | 0 | 1,423 | 30 | 427 |
| Totals | 4,614 | 4,653 | | 2,527 |

Housing Revenue Account

This provision is in respect of Service Charge and Current and Former tenants rent arrears.

Within the HRA an annual contribution to provision of £250k is budgeted to support write offs and any changes in the required level of provision. The HRA forecast out turn assumes a contribution of £200k recognising improved collection of rent arrears. The review of leasehold debtors is in progress (see below). The position will be reviewed at Quarter 3 once a fairer debt profile is available.

- Leasehold debt comprises £228k gross debtors offset by £284k credits arising from the ongoing review of leaseholder service charges.
- Current provision of £0.997m [£1.010m less £0.013m w/off] exists, after allowing for write off of debts no longer considered recoverable, against an estimated requirement of £950k. There is minor over provision of £47k, this will be kept under review.

| HRA | Outstanding Debt as at 01.04.10 | Outstanding Debt as at 30.09.10 | Bad Debt Requirement | |
|---|---------------------------------|---------------------------------|----------------------|------------|
| | | | % | £000 |
| HOUSING – LEASEHOLDERS | | | | |
| Less than 30 days | 0 | -261 | 0.0 | 0 |
| 30 to 60 days | 0 | -5 | 7.5 | 0 |
| 60 to 90 days | 0 | -1 | 15.0 | 0 |
| 90 to 180 days | 0 | -3 | 50.0 | 0 |
| 181 to 365 days | 77 | -14 | 75.0 | 0 |
| > 365 days | 201 | 228 | 100.0 | 228 |
| Total | 278 | -56 | | 228 |
| BDP at 30.09.10 | 245 | | | |
| HOUSING – CURRENT TENANT ARREARS | | | | |
| Less than 30 days | 132 | 130 | 0.0 | 0 |
| 30 to 60 days | 122 | 103 | 7.5 | 7 |
| 60 to 90 days | 164 | 130 | 15.0 | 20 |
| 90 to 180 days | 177 | 140 | 50.0 | 70 |
| 181 to 365 days | 164 | 119 | 75.0 | 89 |
| > 365 days | 64 | 42 | 100.0 | 42 |
| Total | 823 | 664 | | 228 |
| BDP at 30.09.10 | 313 | | | |
| HOUSING – FORMER TENANT ARREARS | | | | |
| Less than 30 days | 26 | 33 | 0.0 | 0 |
| 30 to 60 days | 34 | 42 | 7.5 | 3 |
| 60 to 90 days | 81 | 95 | 15.0 | 14 |
| 90 to 180 days | 117 | 135 | 50.0 | 67 |
| 181 to 365 days | 201 | 211 | 75.0 | 159 |
| > 365 days | 218 | 252 | 100.0 | 251 |
| Total | 677 | 768 | | 494 |
| BDP at 30.09.10 | 439 | | | |