

Meeting: Cabinet
Date: 11 November 2004
Subject: Budget Monitoring as at 30 September 2004
Responsible Officer: Director of Financial & Business Strategy
Contact Officer: Myfanwy Barrett
Portfolio Holder: Business Connections and Performance
Key Decision: No
Status: Public

Section 1: Summary

Decision Required

1. To note the current revenue, HRA and capital budget position and approve the revenue virements recommended in Appendix 1, paragraph 10.

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.
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Section 2: Report

Brief History

7. This is the second quarterly budget monitoring statement for 2004-2005 and sets out the estimated overall financial position for the Council as at 30 September 2004 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 and proposed virements
- Appendix 2 - Use of balances
- Appendix 3 – Capital monitoring
- Appendix 4 – Amendments to the Capital Programme

11. Detailed schedules for each Directorate are on deposit.

Legal Implications

12. None

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

Information on deposit: Schedules which set out the current level of spend for the service areas for the first half-year. As this is an objective analysis, income including internal recharges is netted off against expenditure in each area.

Other background papers available on request:

- Report to July Cabinet: Budget Monitoring to 30 June 2004

Revenue Budget Monitoring – Commentary and proposed virements

Revenue Summary (excluding HRA)

1. Revenue Summary

The monitoring to the end of the second quarter indicates a forecast net underspend of £0.023m on the approved revenue budget. 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.

	£000
Corporate	0
Business Connections	0
Organisational Development	0
Chief Exec. Office.	0
People First	579
Urban Living / Housing Revenue Account	162
Net overspend	<u>777</u>
Interest on balances	<u>-800</u>
Net position	<u>-23</u>

People First

2. Overall People First are forecasting an overspend of £579k by year end. The most significant issues are as follows:
- Early Years (underspend £738k): fewer 3 year only nursery places are being funded than was anticipated in the budget, nevertheless using the DFES definition, provision is universal, with more than 90% of 3 year olds having a place
 - Family Placement Unit (overspend £860k): there has been a considerable increase in foster care payments and leaving care team expenditure since the budget review was completed and a detailed review of activity levels is underway
 - Community Homes (overspend £235k): due to long term staff sickness and new client placements
 - Local Public Service Agreement (underspend £130k): the roll out of the Community schools programme to all areas of the borough is unlikely to happen until January 2005
 - Statutory and Regulatory (overspend £288k): primarily due to additional legal costs

3. One of the main budget pressures relates to Children Looked After. There has been an increase in demand alongside an improvement in the quality of the service for children. Action is being taken by the management team as follows:
 - New panels have been established for Children Looked After and Children with Disabilities to examine needs and costs
 - A temporary placement officer post has been established to reduce costs and improve the quality of out of borough purchased placements
 - Also a detailed examination of the 20 most costly placements is underway to establish whether the same quality could be achieved at lower cost.
4. Recruitment and retention of staff is another significant issue. There is a national shortage of social workers and this is compounded by sickness and performance issues. There is a programme to reduce reliance on agency staff and management action is being taken on sickness and other performance issues.
5. Across People First all managers have now had budget monitoring training and regular monitoring meetings are held so that action required is identified at an early stage.

Urban Living

6. Overall Urban Living are forecasting an overspend of £162k by year end. The most significant issues are as follows:
 - Waste Disposal (underspend £250k): the tonnage based charge is expected to reduce due to the impact of organic waste collections
 - Homelessness (overspend £254k): this issue was reported at the end of quarter 1, and, despite action being taken to mitigate the overspend there are still issues with void temporary accommodation and the payment of finders fees
7. The underspend on waste disposal is volatile as tonnage is difficult to predict.
8. The overspend on homelessness was forecast in the first quarter and officers have been working with landlords to examine the issues and mitigate the extent of the overspend. A detailed report on homelessness has now been commissioned.

Investment Income

9. Due to increases in interest rates during 2004-05 income from interest on cash balances is forecast to exceed the budget by £800k.

Recommended Virements

10. In order to address these variances, the following virements of £100,000 and over are recommended:

From	To	£000
Early Years	Family Placement Unit	738
People First LPSA agreement	Community Homes	100
Waste Disposal	Homelessness	200

11. Both People First and Urban Living will be implementing some smaller virements where overspends can be covered from corresponding underspends.

12. Both Directorates will also be taking action through their management teams to mitigate the net position.

Progress on profiling

13. At the last meeting it was 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. Officers have been working on profiling in the last quarter but there are thousands of individual budgets held on the system and this is a major piece of work. There are also technical issues associated with re-loading the budget to the system.

14. For the corporate budgets, Chief Executive, Business Connections and Organisational Development finance staff have been working with budget holders to review profiles. There is further work required on procurement savings and audit fees in particular.

15. A thorough review of spending profiles used in Urban Living has commenced for Area Services and Professional Services, and some particular issues relating to recharges have been resolved – it is anticipated that this will be completed and the results uploaded into the Council's main financial system by the end of December.

16. Members will recall that a budget review was conducted in the earlier part of the year for Community Care and Children's services. Once the exercise was completed revised budgets for both areas were approved by Cabinet and the system was updated accordingly. In some areas actual expenditure during the first half of the year needs to be recoded to align with the revised structure of the budget. This exercise is underway. Given the size and number of

budgets in People First an action plan is being drawn up which will target the areas where there are the greatest variances between spend to date and the budget first. These are:

- Children's Care Management
- Elderly Care Management
- Learning Disability Care Management

17. The profiles for Schools and the Standards Fund have been reviewed for this period.

Revenue Monitoring – Housing Revenue Account

18. At present no variations are being reported within the Housing Revenue Account.

19. However a major base budget review has been carried out over the last few months and the report is now being finalised. A number of pressures and surpluses have been identified across a wide range of budget areas. The results will be reported to cabinet in December and will inform the medium term financial strategy for the HRA. At this point any amendments to the 2004/05 budget will be put forward for approval.

20. The repairs budget is being closely monitored and officers are working closely with the new partnering contractors to ensure that the open book accounting system is working effectively and providing suitable management information.

Budget Monitoring – Use of Reserves

1. General Fund reserves at 1 April 2004 were £9.151m. The projected position at 31 March 2005 is set out below.

General Fund Reserves

	£000
Balance b/fwd at 1 April 2004	9,151
Approved carry forward	-983
Revised balance	8,168
Local Development Frameworks	-210
Variations reported to date	23
Balance c/fwd 31 March 2005	7,981

2. The forecast balance at 31 March 2005 is above the guideline level of £7m.
3. There are four projects where funding from reserves is recommended. These costs can be covered by releasing surplus funds from the insurance provision. They are as follows:

Project	£000
Management of change	575
Improvements to road markings	410
Sickness absence	110
Performance Management	200
Total	1,295

Management of Change

4. The organisational rebuild has now progressed to the middle management structures of the council, and Cabinet at its meeting in April agreed the revised structure. Work is now underway to implement that structure by recruiting, through initially internal processes, over 250 managers to the new structures. To undertake this work, additional HR resources are required. As well as the structural change, cultural change is required from Managers once in post. Work is therefore required to develop and implement revised management competencies that set out the behaviours that are needed to ensure successful performance of the new roles. The revised competencies

are reinforced through the proposed Leadership development programme. This will be complemented by a member development programme.

Road Markings

5. Harrow engineers inspect road markings on an informal basis whilst carrying out other duties. The accepted intervention level is when the marking is less than 70% in tact, however, due to budget restrictions markings in Harrow are not renewed until at least 50% is missing. Funding is required to improve performance and comply with best practice. The programme of work would take a year.

Sickness Absence

6. A preventative health care programme is being developed which aims to reduce levels of absence particularly around stress.

Performance management

7. Improvements in performance management are a key strand of the New Harrow Project. Officers have been working with a firm of consultants to develop the balanced scorecard approach and associated systems and procedures across the Council.

Appendix 3

CAPITAL PROGRAMME MONITORING AS AT 30 SEPTEMBER 2004

1. The current forecast of capital expenditure in 2004-05 is shown in Table 1, together with the total spent to the end of September 2004 and known commitments.

Capital Expenditure year to date, commitments and forecast				
	Expenditure to 30 September 2004 £000	Commitments £000	Total £000	Current Forecast £000
Business Connections	998	472	1,470	6,401
People First	2,912	934	3,846	7,218
Urban Living: non housing	5,889	3,643	9,532	24,954
Urban Living: Housing	3,532	351	3,883	10,824
Programme Management	0	0	0	444
Capitalisation	566	0	566	1,131
Total	13,897	5,400	19,297	50,972

2. Cash expenditure in the first half of 2004-2005 equates to approximately 27% of the programme. However, the inclusion of committed expenditure, where for example orders have been raised but the works have not yet been completed or paid for, increases this percentage to 38%.
3. Work has been progressing to profile the budgets for capital projects and an update will be provided at the meeting.
4. Anticipated resources are broadly sufficient to fund the proposed capital programme although this is dependent on the forecast level of capital receipts being realised. Any reduction in the realisation of capital receipts would result in an increased unsupported borrowing requirement. Members will be updated as the position develops and this will be a factor in considering the affordability of the programme for future years.

Changes to the Capital Programme

1. Table 1 summarises by programme area the results of the monitoring exercise carried out at the end of September 2004. There are no significant changes at this time.

Table 1						
2004-2005 Programme						
	Approved July 2004 £000	New Schemes £000	Transfers £000	Reductions £000	Rephasing £000	Current Forecast £000
Business Connections	6,271	0	+150		0	6,421
People First	6,648	+1,215	+50		-695	7,218
Urban Living: non housing	24,390	+195		-31	+400	24,954
Urban Living: Housing	10,824	0	0		0	10,824
Programme Management	624	0	-200		0	424
Capitalisation	1,131	0	0		0	1,131
Total	49,888	+1,410	0	-31	-295	50,972

New Schemes - Specific Funding

2. Since the Capital Investment Plan was last reported there have been a number of announcements of additional funding, including specific grants and Supported Capital Expenditure Approvals (SCEr) totalling £1.215m. The new schemes to be added to the investment plan are set out in table 2 below:

Table 2	£000
People First	
Improving Information Management (grant) To be used for the purposes of the development, improvement or acquisition of systems for improving information management across the range of Social Care	126
Mental Health Schemes (SCEr) Capital costs associated with advice and services related to: accessing and retaining employment and advice and support regarding access to opportunity for social participation. This is developed in partnership with the PCTs and other relevant agencies.	114
Integrated Children's Services (grant) This grant is for building the information technology systems required to support the implementation of the integrated children's system	44
Adult & Community Learning (grant) Funding from the Learning and Skills Council for both minor improvements and access works to premises used by Post 16 pupils and for extended community use.	111
NOF Whitefriars, Canons and Whitmore Schools (grant) Projects at Canons High and Whitmore High to refurbish the existing gym areas to provide new changing/shower areas, offices and storage and new fitness studios at both sites for school and community use, and for the provision of new enclosed mini tennis courts at Whitefriars First and Middle School for school and community use.	820
Total	1,215

New Schemes – Council funded

3. Urban Living – Non Housing

Harrow Heritage Trust Grant, £15,000

Harrow Heritage Trust administers grants to owners of historic buildings on behalf of the council. The Grants Panel and Cabinet approved this grant earlier in the year.

Lighting Columns – painting programme, £160,000 in 2004-05 & £170,000 in 2005-06.

The introduction of a programme of work to address a weakness highlighted in the council's Comprehensive Performance Assessment

Station Road (North Harrow) parking, £20,000 in 2004-05 and £390,000 in 2005-06. To fund a feasibility study in 2004-05, followed by the provision of parking lay-bys in Station Road to assist the regeneration of the central area of North Harrow.

Transfers

4. A number of allocations from block provisions have been identified as part of the monitoring exercise. These are detailed in table 3 below:

Scheme	Business Connect's £000	People First £000	Programme Mgmt £000	Total £000
Small schemes			-70	-70
Invest to Save			-130	-130
Process Engineering	130			130
Registrars Office	20			20
Teachers Centre		50		50
Total	150	50	-180	0

Process Engineering

This project will investigate the documentation and make up of existing systems and look at designing better ways of delivering services across the council.

Registrars Office

A programme of IT and security improvements in the Registrars area, the security works were recommended as part of an internal audit report.

Teachers Centre Booking System

The current software used for room, catering, and resource booking and finance is very old and is no longer supported by any company, individual or HITS.

Reductions

5. The reduction of £31,000 shown against the Urban Living non-housing programme is for environmental health schemes that were funded by Supplementary Credit Approval (SCA). The SCA was not fully utilised as the projects cost less than originally thought.

Rephasing

6. Progress on schemes varies during the year for a number of reasons, the following slippage or rephasing has been identified since the previous quarterly monitoring report.

Table 4			
Scheme – rephasing	2004-2005	2005-2006	
	£000	£000	
People First			
Grange F&M School - access	-793	+793	
Final plans for new nursery and reception class bases have been delayed due to planning issues surrounding access to the rear of the building.			
Weald F&M School – access	-152	+152	
The feasibility study has identified that more work is required than originally identified in the out line brief. Ways of addressing these issues are being investigated.			
Kenmore Park F&M	+250	-250	
The project has been bought forward to allow the reorganisation of the schools accommodation to happen sooner and to take advantage of tying this work into another contract at the school. This will save on contract preliminary expenses and professional fees.			
Urban Living – non housing			
Civic Centre accommodation works	+500	-500	
There have been some unexpected additions to the original programme of works including the refurbishment of Committee Rooms 1 and 2.			
LPSA Crime Reduction	-100	100	
This is largely due to the time taken to negotiate the details of a Smart Card system with high schools, the implementation of which has been delayed by one school dropping out at the last minute.			