

## THE EXECUTIVE

5 APRIL 2006

### REPORT OF THE CHIEF EXECUTIVE

<b>BUDGET MONITORING 2005/06 - APRIL 2005 TO JANUARY 2006</b>	<b>FOR DECISION</b>
<p><b>Summary:</b></p> <p>The report updates the Executive on the Council's revenue and capital position from the beginning of April to the end of January 2006.</p> <p>For revenue, it highlights ongoing pressures in the Department of Regeneration and Environment totalling about £0.5 million with some other Council services on target to meet their budget requirements by the year end with Corporate Strategy and Finance indicating underspends against budget. There is a net favourable position of interest on balances of around £600,000 giving an overall £500,000 underspend position for the Council's budget by the year end. Against this sum there are various commitments which will need financing in the next financial year and these will need to be considered as part of the outturn report in June.</p> <p>In the Department of Regeneration and Environment continual work is being undertaken by the Management Team to ensure a reduction in the current forecast. In order to alleviate the projected service overspend by the year-end the relevant Director is continually reviewing elements of his Service budget to ensure a balanced budget is achieved by the year end. The Regeneration and Environment Management Board is continually monitoring an action plan so that the overspend position is brought into line by the year end.</p> <p>For the Housing Revenue Account, minimal pressures currently exist but these are being offset significantly by better income through service charges, rental income and better void performance of around £1.1 million. The resultant position expected is for the relevant working balance to therefore increase to around £4.0 million by the year end compared to the original budget of £2.9 million. This is lower than last month's reported position mainly due to a change in projections around spend on repairs budgets and a review of housing rents income.</p> <p>For capital, the latest position is that there has been spend of around £56.8 million on the overall original budgeted programme of £96.3 million, with a current projection of a total spend of around £89.2 million (93%) by the year end. Directors are reviewing their final spend positions on individual capital schemes to ensure maximum programmed spend is achieved by the year end.</p> <p><b>Wards Affected:</b></p> <p>This is a regular budget monitoring report of the Council's resource position and applies to all wards.</p>	

<p><b>Implications:</b></p> <p><b>Financial:</b> The overall revenue budget is indicating an underspend position against budget with Directors taking relevant action where necessary. The capital programme is reported to be below the original budget of £96.3 million and in line with the working budget of £90.2 million.</p>		
<p><b>Legal:</b> There are no legal implications regarding this report.</p> <p><b>Risk Management:</b> The risk to the Council is that budgets are overspent and that this reduces the Council's resource position. Where there is an indication that a budget may overspend by the year end the relevant Director has been asked to review the Departmental budget position to achieve a balanced position by the year end. This may involve the need to produce a formal action plan to ensure delivery of this position. Similarly, if there are underspends this may mean a lower level of service or capital investment not being fully delivered.</p> <p>Specific procedures and sanctions are in place through the Resource Monitoring Panels, Corporate Programme Management Office (CPMO), Corporate Management Team and the Executive.</p> <p><b>Social Inclusion and Diversity:</b> None.</p> <p><b>Crime and Disorder:</b> None</p>		
<p><b>Recommendation</b> The Executive is recommended to asked to consider and note:</p> <ol style="list-style-type: none"> <li>1. Note the current position of the Council's revenue and capital budget as at 31 January 2006;</li> <li>2. Note that the Regeneration and Environment Management Board are to further review their budgets to ensure a balanced position by the year end through a detailed action plan;</li> <li>3. Note the position and projected out-turn for the Housing Revenue Account;</li> <li>4. Agree the reprofiling of capital programme schemes as identified in Appendix D; and</li> <li>5. Approve a permanent budget transfer of £48,000 to the Arts service from central funds from 1 April 2006.</li> </ol>		
<p><b>Reason(s)</b> As a matter of good financial practise, the Executive should be regularly updated with the position on the Council's budget.</p>		
<p><b>Contact Officer</b> Joe Chesterton</p>	<p>Head of Corporate Finance</p>	<p>Tel:020 8227 2932 Minicom: 020 8227 2413 E-mail <a href="mailto:joe.chesterton@lbbd.gov.uk">joe.chesterton@lbbd.gov.uk</a></p>

## **1. Introduction and Background**

- 1.1 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. It is practise now within the Council for this monitoring to occur on a regular monthly basis, which helps Members to be constantly updated on the Council's overall financial position and to enable the Executive to make relevant decisions as necessary on the direction of both the revenue and capital budgets.
- 1.2 The report is based upon the core information contained in the Oracle general ledger system supplemented by detailed examinations of budgets between the budget holders and the relevant Heads of Finance to take account of commitments and projected end of year positions. In addition, for capital monitoring there is the extensive work carried out by the Capital Programme Management Office (CPMO).
- 1.3 The monthly Resource Monitoring Panels chaired by the Lead Member for finance, which monitor the detail of individual departments revenue and capital budgets also enhance and form the basis of the report.

## **2. Current Position**

### **2.1 Overview for Revenue Budget**

- 2.2.1 At the end of January 2006, the Council is projecting an underspend against its budget for the year end of around £500,000. However, there are various commitments across individual departments which will need financing in 2006/07 and these need to be considered as part of the final outturn report to the Executive in June.
- 2.2.2 Current projections indicate that there are still financial pressures within the Regeneration and Environment budget. The update position, at the end of January, for the year end outturn is that for Regeneration and Environment there is a projected overspend of about £490,000, with Corporate Strategy and Finance now indicating underspends totalling around £390,000 but with identified commitments against this sum. There is also currently a favourable position on net interest on balances of around £600,000.

## **3. Service Position**

### **3.1 General**

- 3.1.1 Details of each service's current financial position are provided in Appendix A. It is expected such variances are more indicative of pressures, however, should not impact on the outturn position for the year but in these areas of service overspend continual work is required by Directors to ensure a reduction in these current forecasts.
- 3.1.2 At the Executive meeting on 12 July, Members approved that roll forwards from 2004/05 for the revenue budget amounting to some £3.0 million (2003/04 £1.9 million) be added to the relevant Departmental budgets for 2005/06. It is important to remind Members that Directors need to use these funds to deliver the relevant services associated with the agreed roll forwards and that the appropriate work is

undertaken to ensure delivery of full spend by the year end. Additionally, consideration by Directors on the use of these roll forwards will need to be made where Departments are currently projecting overspends.

## **3.2 Corporate Strategy**

At the end of December, Corporate Strategy has a projected year-end underspend position of £157,000. The reduction from last month's reported underspend position of £281,000 relates mainly to the need now to make appropriate redundancy payments for staff in Customer First from the budget available to support this. The services within Corporate Strategy have an overall underspend position which have offsetting variances and these are explained below for each Division of Corporate Strategy.

### **3.2.1 Customer First**

The budget for Customer First is contained within the Corporate Strategy Department's overall budget and is £3.072 million for 2005/06. The current position is that nearly full spend is anticipated for this budget around the running costs associated with the call centre, the project implementation team and customer service team. A small underspend of £20,000 is resulting due to lower costs of advertising for staff recruitment.

### **3.2.2 Corporate Human Resources (HR)**

Corporate HR is identifying an underspend of around £84,000 mainly due to the centralisation of HR which occurred in December 2005. However, this is still being closely monitored as there are commitments made under the old structure that requires further analysis that could incur costs.

### **3.2.3 Legal Services**

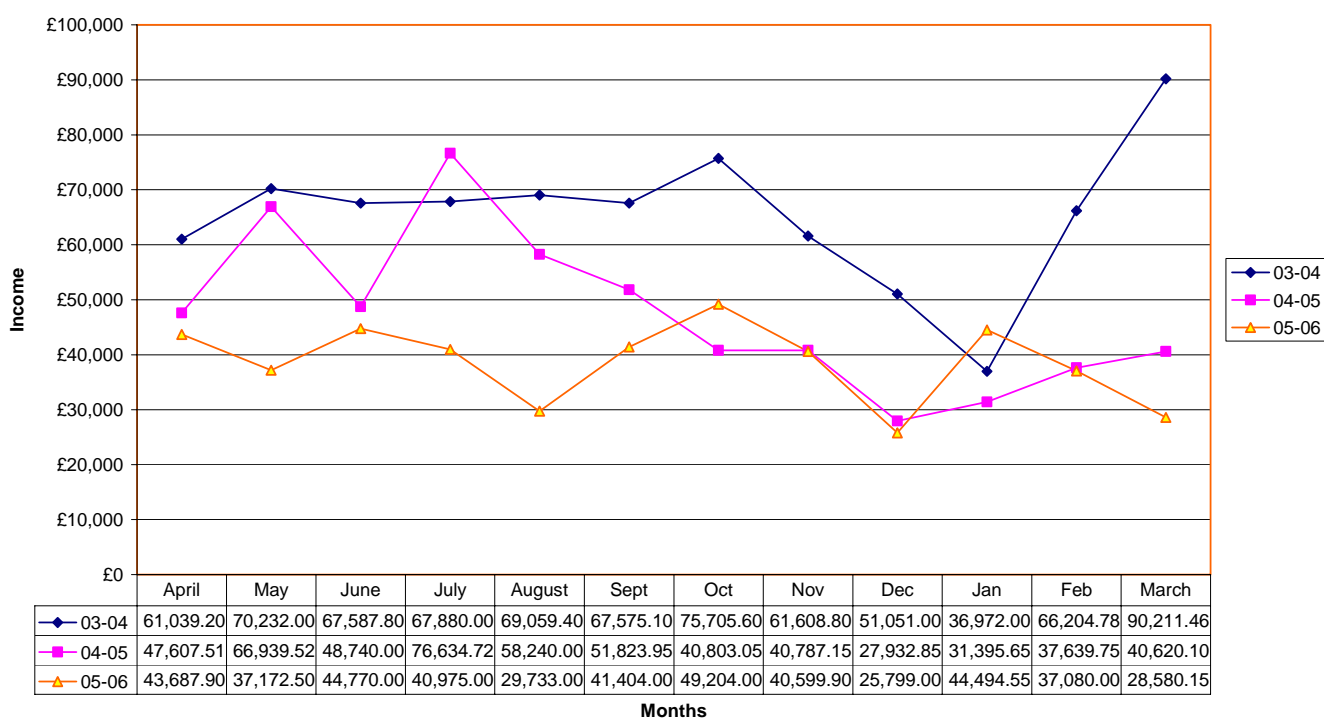
Legal Services has projected a break even position.

Land Charges continues to reflect a reduction in income to date. Income received to the end of January 2006 is £398,000 in comparison to £491,000 and £629,000 for the same period in 2004-2005 and 2003-2004 respectively. The number of searches carried out to the end of January 2006 was 4,878 in comparison to 4,907 to the end of January 2005, which represents a 1% decline.

It is anticipated that income from Land Charges of £465,000 will be achieved by year-end against the budget of £659,000. However, £200,000 is available, if required, from the contingency reserves to cover the actual shortfall at year-end, as agreed at the Executive on 22<sup>nd</sup> March 2005.

The graph below shows the actual trend of Land Charges income from 2003-2004 to January 2005-2006 with a projection for the balance of 2005-06.

## Legal Land Charges



### 3.2.4 Corporate Communications, Democratic Services, Policy and Performance and Grants.

All of the above services are now projecting that their budgets at the year end will have a combined forecast underspend of £53,000 around staffing costs, contracts and other supplies and services budgets.

### 3.3 Education, Arts and Libraries

#### 3.3.1 Education

There are a number of additional budget pressures totalling £305,000 that have been identified throughout the year, above the carried forward overspend from 2004/05 of £216,000. However, positive action has and is continuing to be undertaken to ensure that these additional costs are covered and the position is that at this stage, that the overall budget will still slightly underspend including the carried forward sum from 2004/05 by around £14,000.

A summary of the key pressures and action taken to address these are as follows:

	£000
The Tuition Centre (PRU) restructure	70
School Meals – additional costs of the healthy eating programme	50
B & D Training – reduced LSC funding	70
Education IT – additional demands on service	50
Administration Department salary costs	65
	305

These pressures have been offset by various projected underspends, including savings arising from the freezing of expenditure on all centrally held standard funds. The main savings are shown below:-

	£000
Freeze on central standards funds	400
Work Related Learning college courses	70
Home to school transport	70
Non-maintained school fees	<u>80</u>
	<u>620</u>

### 3.3.2 Arts, Libraries and Cultural Services

The Arts, Libraries and Cultural element for this Department's budget is also continuing to project to breakeven by year end.

There are some overspends at present, but these will be offset by underspends within other areas of the overall budget by the year end.

To support the Arts service in terms of additional staffing and to increase the number of people the service will reach each year it is recommended that a £48,000 permanent budget transfer is made to the Arts budget from central funds from 1<sup>st</sup> April 2006.

### 3.4 Finance

The Finance Department is projecting an under-spend of £230,000 by the year end.

#### 3.4.1 Financial Services

Financial Services has a projected under-spend of £125,000 mainly due to difficulties in staff recruitment, however, new staff are now in place in some areas and others are currently in the process of being filled through permanent recruitment.

#### 3.4.2 Internal Audit and Insurance

Internal Audit and Insurance has a projected under-spend of £64,000. This is mainly as a result of not filling staff vacancies.

#### 3.4.3 Information Management and Technology (IM&T)

IM&T has now projected to underspend by £340,000, compared to the position of a £544,000 underspend reported last month. The change mainly arises from the projection of costs totalling £160,000 associated with an IT contract which have now been fully identified and this contract will now be let in 2005-2006. In addition, there are identified underspends in supplies and services around various IT contracts that will need consideration for funding in 2006/07 amounting to £180,000.

#### 3.4.4 Revenue Services

This service is expected to overspend by £341,000 mainly due to the use of agency staff to cover vacancies at higher rates than salaries. This overspend is being partially offset by the projection of Housing Benefits overpayment income in excess of the budget. Efforts are being made to successfully recruit to vacant posts in

order to reduce the reliance on agency staff and therefore ensure that the Division remains within budget. In addition, the service is reviewing its planned expenditure on supplies and services to contain any overspend.

### **3.4.5 Business Services**

Business Services is projected to have a minimal underspend of £42,000 mainly around employee budgets.

## **3.5 Housing and Health**

### **3.5.1 Housing General Fund**

General Housing is currently forecast to overspend by £24,000.

The additional use of agency staff to help deliver current Housing Strategies (e.g. More Choice in Lettings) is putting pressure on the budget. In liaison with cost centre managers corrective action is being taken to ensure spend is in line with the budget by year end.

The Temporary Accommodation budget continues to be monitored closely to ensure it at least achieves the budgeted underspend of £61,000 by the year end. Overall the number of people in temporary accommodation has increased from 321 in April 2005 to 450 at the 31<sup>st</sup> January 2006. The increase has been successfully dealt with by the effective use of accommodation through private sector leasing, which means that we now have only one placement in bed and breakfast accommodation.

### **3.5.2 Health and Consumer Services**

Health and Consumer Services is projecting to overspend in 2005-06 by £20,000 mainly around the new licensing administration arrangements and supplies and services. Work is continuing by the Management team on the Health and Consumer Services action plan to ensure savings are identified elsewhere within Health and Consumer Services budgets to enable spend to be in line with the budget by the year end.

## **3.6 Regeneration and Environment**

Following further detailed review of the Department's budget the projected though overspend for the year end for this Department is now at £488,000 (last month this was £389,000).

The major changes from last month are:

Additional income/reduced spend totalling £257,000 comprising:

- Municipal buildings reduced costs (£100,000)
- Reduced reactive highways spend (£75,000)
- Reduced consultancy spend (£34,000)
- Reduced leasing costs (£13,000);
- Building cleaning additional income (£12,000),
- Improved stores turnover and volume discounts (£21,000)

- Other net minor variances (£2,000)

Additional spend /reduced income totalling £356,000 comprising:

- Reduced projected car parking income (£25,000);
- Transaction fees not now anticipated due to slippage in sale programme (£50,000);
- Additional cleansing and refuse costs – temps and hired vehicles (£99,000);
- Fleet – reduced income – reduced usage by schools (£50,000)
- Additional energy costs in leisure centres (£115,000)
- Other minor variances (£17,000)

The Department's Management Board has instituted a range of actions to continue to ensure that the DRE budget achieves spend to budget by the year end. These include a freeze on non-essential overtime and recruitment, Head of Service approval for items of spend in excess of £250, and the cessation of non-essential agency contracts. In addition, there is a further on-going review of budgets where some of the additional costs arising maybe attributable to one-off specific issues that may need corporate funding.

### **3.6.1 Regeneration Implementation Division**

Regeneration Implementation Division continues to project to remain within their core budget through identifying additional funding and calling on previously agreed Corporate funding.

### **3.6.2 Planning and Development**

Planning and Development continue to project to spend to the base budget but have identified a £50,000 contribution towards the overall overspend from the 2004/05 revenue roll forwards.

### **3.6.3 Asset Management and Development**

There are known pressures in the rental income budget where tenants have vacated premises and this budget continues to be kept under close scrutiny. Savings to contribute towards the overall projected overspend have been identified including a one-off back dated turnover rent due. However, slippage in the asset disposal programme will result in reduced transaction fee income of £50,000.

### **3.6.4 Environment, Highways, Roads and Transport**

The latest position on previously identified overspend projections are as follows:

- The change in ELWA charging for trade waste continues to result in a projected overspend of £136,000.
- Agency cover for long term sick leave in the 24/7 Careline function continues to project to reach £118,000 over budget.
- One-off back dated payment for staff working out of core hours is projected to overspend by £153,000
- Other items including additional traffic light maintenance, reduced grant funding, consultancy costs and IT for highways maintenance



- additional temporary agency staff in the street cleansing function (£47,000).

These are being offset by:

- Net car parking income continues to project above budget (£192,000)
- Deferral of vehicle leases and reduced vehicle maintenance costs (£150,000)
- Additional income re building cleaning (£183,000)
- Reduced need for black sacks (£30,000)
- Reduced cost of employee related insurance (£48,000).

### 3.6.5 Leisure and Community Services

The latest income figures for leisure centres show a further reduction in income of £90,000, a total shortfall in income of £402,000, although this is offset by additional schools related income of £68,000. Employee costs continue to exceed budget by £234,000. Further energy bills relating to 2004/05 and 2005/06 indicate a premises overspend of £170,000.

### 3.7 Social Services

The Department is presently projecting a balanced position with its budget by the year end and this is now the likely year end position given that the winter pressures which normally affect social service spend are now working through the system.

Although Departmentally the financial position is now neutral, significant financial pressures still remain within the service, including looking after more clients, more intensive packages of need and in pursuit of improved performance.

Within a Gross Expenditure Budget of £102 million there are presently three significant pressure areas occurring

- Physical Disability Care Packages
- Older Persons Care Packages
- Looked after Children's Support budget.

The budget pressures in these areas are being off-set by favourable budget positions in other service areas, and substantively from unallocated resources, slippage from Government Grants and a modest departmental contingency for such occurrences.

The departments management team remain committed to maintaining a sound financial base, dealing with current overspend areas, and bringing the departmental budget in on target for the current year. Value for money considerations are paramount within Social Services, as the Department faces infinite demand for its services, has a fixed level of resources and is in pursuit of improved performance arising from Inspection processes.

#### 3.7.1 Children's Services

Modest pressures are continuing in Social Work recruitment, especially around high cost agency staff usage, although this is reducing as a result of management actions that have been taken.

Significant pressures are building up regarding support budgets for Looked after Children, Children with Disabilities, and support via Section 17, this is subject to senior management review at present to establish the full reasons for the increased demand and to ensure consistency of practice and response rates, and to reduce budget pressures.

Pressures also exist with regard to the Out-Borough Placements budget due to demands and additional numbers of children being placed, although this has reduced over the last few months as a result of robust reviewing procedures.

In aggregate the Children's Service is performing within budget.

Value for money considerations are paramount within the children's service area, ensuring that the maximum number of clients can be assisted within budgets. Progress has been made in this area recently, with the expansion of fostering and adoption services as opposed to expensive residential care, and also in terms of controls on agency usage and costs. As eluded to work still needs to be undertaken in areas such as children's and family support budgets, and ensuring value for money from service providers.

### **3.7.2 Older Persons Services**

Budget pressures have increased recently in this area - but spend remains on target in aggregate when taking into consideration residential placement performance. There are particular financial pressures in Care Management staffing and also significantly increased pressure on the Care Packages budget.

Value for money considerations are paramount within the Older Persons service area, with a gross budget in the region of £40m. In an environment of infinite demand it is vital resources are targeted at those most in need. Progress has been made in this area recently, with the success in reduced spend on residential placements, and delayed transfers of care from hospital. The councils expansion into extra care housing schemes is also reaping dividends in terms of costs and benefits.

Controls on agency usage and costs, together with robust contracting procedures are also delivering VFM savings. Older Persons unit cost indicators within the Social Services Performance Assessment Framework (PAF) are relatively competitive; although some areas have been identified for improvement around care at Home costs.

### **3.7.3 Adults with Disabilities**

These are budget pressures on Physical Disability Care at Home Packages, linked to increased demands.

Also in line with national pressures the Learning Disabilities service are currently projecting overspends in Care Packages and Social Work. Pressures on Residential Care budgets have mitigated recently due to management actions. However, pressures still remain in the service particularly around transition issues of clients turning 18 from Children's Service.

Mental Health budgets remain broadly within budget.

Value for money considerations are also paramount within the Adults with Disabilities division. Progress has been made in this area recently, with the success in the expansion and take-up of Direct Payments packages of care for service users. Adults' unit cost indicators within the Social Services Performance Assessment Framework (PAF) are competitive. Controls on agency usage and costs, together with robust contracting procedures are also delivering VFM savings.

#### **4. Housing Revenue Account (HRA)**

- 4.1 The Housing Revenue Account shows a current projected underspend in 2005-06 of approximately £1.1 million, which is lower than last month's projection of £1.5 million. Appendix B shows the detailed breakdown of the HRA budget position and the reasons for the current position since last month are identified in the following paragraphs.
- 4.2 Rental income is estimated to overachieve by £553,000 (last month £491,000) and is due to a slow down in the sale of Council houses and flats sales. The downside of this is that the estimated capital receipts generated by the sales, and needed to part fund the Capital Programme, will be lower than estimated.
- 4.3 The percentage of void properties has reduced during the year from the original estimate of 2.5% to 1.6%. It is estimated that this improvement in managing voids will create a saving in the region of £587,000 (last month £609,000). The current number of void properties is now 264 compared to 437 at the start of the financial year.
- 4.4 Housing Rent write offs in 2005/06 are now forecast to be £700,000, in line with the budget, an increase of £200,000 on last month. This is due to a decision to write off more former tenants rent arrears in 2005/06.
- 4.5 Income from leaseholders by way of service charges is projected to increase by £400,000. Although the volume of sales is lower than expected, the number of flats being sold is rising faster than estimated, with currently over 68% of all sales being flats.
- 4.6 Housing Benefit Limitation is forecast as per last month to be £400,000 over budget following the review of the final Housing Subsidy Determination following pressure from Local Authorities and changes resulting from the Audit of the 2004/05 Housing Subsidy Claim.
- 4.7 A cyclical painting programme of £3 million was created this year to meet the needs of the Stock Condition Survey. Due to delays in determining the programme, an underspend in this budget is anticipated by the year end.
- 4.8 The repairs and maintenance budget is currently under review by external consultants and although there are pressures on the spend, it is projected to keep this within budget.

4.9 At this stage, the underspend of around £1.1 million will be added to balances. The Executive are reminded that in a previous monitoring report it was agreed that the additional buoyancy in the HRA position be used to support the investment in the Council's Housing Stock.

## **5. Interest on Balances**

5.1 The current position is that this area of the budget has improved performance and that current projections show a favourable variance on the budget by the end of the year. As at the end of December this continues to be estimated at about £850,000 for the year. The favourable position is arising primarily due to performance on investments being better than expected coupled with a larger investment base due to a much lower than expected spend on the Capital Programme in 2004/05 and in 2005/06. This positive position will allow the strengthening of Council balances at the year end.

5.2 Further to the decision by Executive in an earlier monitoring report, £273,000 of this sum was agreed to support a specific one-off issue with Sports Centres this year and the appropriate budget transfer has been undertaken.

## **6. Capital Programme**

6.1 The Capital Programme is being managed by the Capital Programme Management Office (CPMO) team in the Department of Regeneration and Environment alongside financial input from the Finance Department. A Summary of the latest position for the 2005/06 programme is shown in Appendix C.

6.2 As at the end of January, approximately £56.8 million (£46 million as at January 2005) of this year's programme has been spent out of an overall original budget for the year of around £96.3 million. It is quite usual for the majority of spending on capital schemes to occur in the latter part of the year as a result of tender exercises, consultation etc, however, the spend to the end of December is now 63% of the total working budget programme of £90.2 million.

6.3 Included within the working budget are the net roll forwards from 2004/05 totalling £14.1 million to assist with better delivery of the overall programme. The relevant schemes associated with the roll-forward sums are continuing to be monitored through the Resource Monitoring Panels and by the CPMO.

6.4 The current projections indicate above that there will be an overall spend by the year end of some £89.2 million, roughly in line with the working budget. This compares to projections of spend of £93.6 million in last month's report (a 5% decrease since last month). The main variances are the reduced spend projected on regeneration schemes and housing major capital works. The projected percentage final spend of the capital programme is 93% of the original budget and 99% against the working budget.

6.5 Regular liaison between the CPMO and project sponsors is taking place to ensure that projections of spend on capital schemes are robust and achievable by the year end. It is important, therefore, that Directors are closely monitoring this position to achieve identified spend of their programmed budgets by the year end. The CPMO and Finance Department are regularly challenging projections by Departments and

mentioned in previous monitoring report reasons for major variances will be identified and reported as part of future monitoring reports. As a result a number of reprofiled schemes have been approved by the Executive over a number of months and these have now been incorporated into the report supplied to project sponsors each month by the CPMO. The outcome of this exercise has identified that an earlier working budget of £121.5 million is now £90.2 million. For this month, a number of schemes require reprofiling this financial year and require Executive approval and these are attached at Appendix D.

## **7. Consultees**

7.1 The Members and officers consulted on this report are:

Councillor Bramley  
Corporate Management Team  
Heads of Finance  
Capital Programme Management Office

### **Background Papers Used in the Preparation of the Report:**

Oracle reports  
CPMO reports