

THE EXECUTIVE

22 NOVEMBER 2005

REPORT OF THE DIRECTOR OF FINANCE

BUDGET MONITORING REPORT APRIL TO SEPTEMBER 2005/2006	For Decision
<p>Summary:</p> <p>The report updates the Executive on the Council's revenue and capital position from the beginning of April to the end of September 2005.</p> <p>The report needs to be read and discussed in conjunction with the quarterly Performance Indicators report, covering the first half of the year, which is also being presented to this Executive meeting.</p> <p>For revenue, it highlights ongoing pressures in Regeneration and Environment and Housing and Health departmental budgets totalling about £0.8 million with other remaining Council services on target to meet their budget requirements by the year end. This is offset by a favourable position of interest on balances of £600,000 giving an overall balanced position for the Council's budget by the year end. This is an improvement of some £0.75 million than that reported in last months monitoring report.</p> <p>It is expected such variances of pressures should not impact on the outturn position for the year but in those areas of service overspend continual work is required by Directors to ensure a reduction in the current forecasts.</p> <p>In order to alleviate the projected service overspends by the year-end the relevant Director's are continually reviewing elements of their Service budgets to ensure a balanced budget is achieved by the year end. The Regeneration and Environment Management Board has produced an action plan for implementation to achieve a balanced budget and is continually monitoring this. If the need arises for an action plan in other areas to address the highlighted pressures then these will be reported, as necessary, in future monitoring reports.</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 £2 million. The resultant position expected is for the relevant working balance to therefore increase to around at £4.9 million by the year end compared to the original budget of £2.9 million.</p> <p>For capital, the latest position is that there has been spend of around £27 million on the overall original budgeted programme of £96.3 million, with a current projection of a total spend of around £96.3 million (100%) by the year end. This aspect will need to be closely monitored by Directors throughout the year to ensure maximum programmed spend is achieved by the year end.</p> <p>Wards Affected:</p> <p>This is a regular budget monitoring report of the Council's resource position and applies to all wards.</p>	

<p>Implications:</p> <p>Financial:</p> <p>The overall revenue budget is indicating a balanced position against budget with Directors taking action to ensure this balanced position by year end. The capital programme is reported to match the original budget of £96.3 million but to be within the working budget of £120.8 million.</p>		
<p>Legal:</p> <p>There are no legal implications regarding this report.</p> <p>Risk Management:</p> <p>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>Social Inclusion and Diversity:</p> <p>As this report does not concern a new or revised policy there are no specific adverse impacts insofar as this report is concerned.</p> <p>Crime and Disorder:</p> <p>There are no specific implications insofar as this report is concerned.</p>		
<p>Recommendation</p> <p>The Executive is asked to consider and note:</p> <ol style="list-style-type: none"> 1. the current position of the Council's revenue and capital budget. 2. that the Regeneration and Environment Management Board and Director of Housing and Health are currently reviewing their budgets to ensure a balanced position by the year end and that the Directorate of Regeneration and Environment is continuing to address the position through a detailed action plan. 3. agree a £50,000 drawing from the contingency to support an improved Burglary target under our Local Public Service Agreement and that this sum is reimbursed from the Performance Reward Grant due in 2006/07. 4. note the position and projected out-turn for the Housing Revenue Account and agree that a revenue contribution of £2 million is made to support the capital investment in the Council's Housing stock. 		
<p>Reason(s)</p> <p>As a matter of good financial practise, the Executive should be regularly updated with the position on the Council's budget.</p>		
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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

At the end of September 2005, the Council has a projected balanced budget for the year end. This has moved from a projected overspend position of £0.75 million in the last monitoring report. The main change has been the further decrease in the projected overspend position for the Regeneration and Environment Department coupled with an improvement in the Social Services budget position.

Current projections indicate that there are financial pressures within the Regeneration and Environment and Housing and Health budgets. The update position, at the end of September, for the year end position is that for Regeneration and Environment there is a projected overspend of about £526,000 and for Housing and Health of £235,000. For Social Services there is a projected underspend of £258,000 and also offsetting the projected overspends is currently a favourable position on 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 12th 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 September, Corporate Strategy has a projected year-end balanced position.

Within this overall break even position there are offsetting variances are these explained below for each Division of Corporate Strategy.

3.2.1 **Corporate Human Resources (HR)**

Corporate HR has projected a break-even position. The HR Departments are currently undergoing a restructuring in order to centralise the HR processes across the Council.

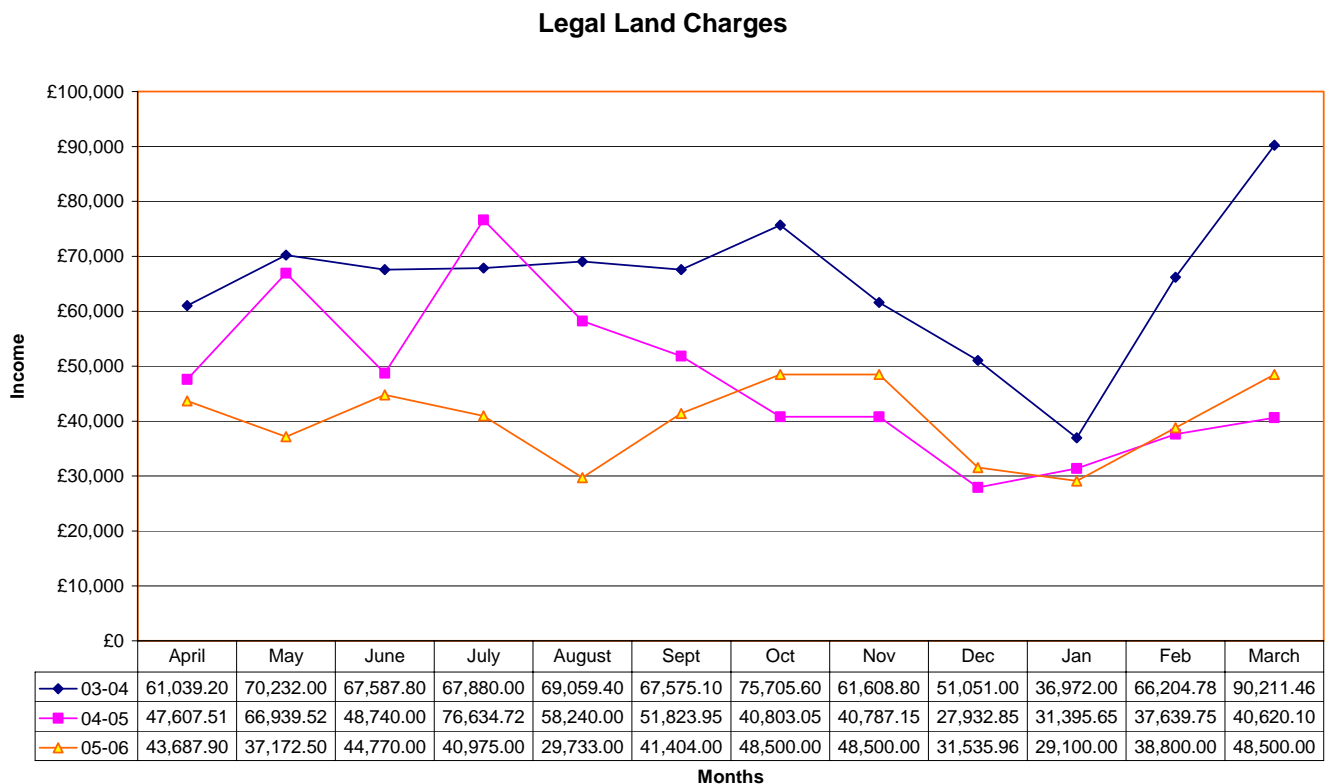
3.2.2 **Legal Services**

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 September 2005 is £238,000 in comparison to £350,000 and £403,000 for the same period in 2004-2005 and 2003-2004 respectively. The number of searches carried out to the end of September 2005 was 2,954 in comparison to 3,385 to the end of September 2004, which represents a 13% decline.

It is anticipated that income from Land Charges of £485,000 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 22nd March 2005.

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



3.2.3 Corporate Communications, Democratic Services, Policy and Performance and Grants.

All of the above services are not projecting any material variance on their budgets at the year end.

3.3 Education, Arts and Libraries

3.3.1 Education

There are a number of additional budget pressures totalling £375,000 that have been identified, including the carried forward overspend from 2004/05 of £216,000, however, positive action is being taken to ensure that these additional costs are covered and it is anticipated, at this stage, that the budget will break-even including the carried forward sum from 2004/05.

3.3.2 Arts, Libraries and Cultural Services

The Arts, Libraries and Cultural element for this Department's budget is also projected to breakeven.

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

3.4 Finance

The Finance Department is projecting a minimal under-spend of £35,000 by the year end.

3.4.1 Financial Services

Financial Services has a projected under-spend of £96,000 mainly due to staff vacancies, which are currently in the process of being filled through permanent recruitment.

3.4.2 Internal Audit

Internal Audit has a projected under-spend of £23,000. This is mainly as a result of not filling staff vacancies.

3.4.3 Information Management and Technology (IM&T)

IM&T has projected to overspend by £44,000. The Division is currently experiencing budget pressures in employee costs in the delivery of the support service across the Council.

3.4.4 Revenue Services

This service is expected to overspend 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.

3.4.5 Business Services

Business Services is projected to break-even. The projection includes a contingency of £54,000 to engage consultants to deal with systems development work for which we do not have the skills in house.

3.5 Housing and Health

3.5.1 Housing General Fund

General Housing is currently forecast to overspend by £30,000.

The Temporary Accommodation budget is currently under review, to ensure it remains within budget with Housing Benefits currently forecast to be balanced by the year end.

3.5.2 Health and Consumer Services

Health and Consumer Services is projecting to overspend in 2005-06 by £235,000, due to the following issues;

- The capital cost of early retirement's now being charged to revenue will result in an £128,000 overspend (£104,000 in Trading Standards, £24,000 in Environmental Health). In addition, there is pressure on supplies and services budgets of £33,000.
- Licensing administration (£74,000). The workload on processing applications for the new licensing law arrangements has been greater than anticipated in the agreed budget, especially in legal and democratic services. A separate report on the current position is being prepared and will be presented to the Executive shortly.

As part of our Local Public Service Agreement, one of our targets is to reduce the number of burglaries. To assist in meeting this target by the end of the year, which in turn allows the Council to be awarded more Performance Reward Grant from the Government, an injection of £50,000 to the Metropolitan Police is required. It is recommended that £50,000 is met from the Council's contingency to allow us to reach the necessary target, which will be reimbursed by the necessary Performance Reward Grant in 2006/07.

3.6 Regeneration and Environment

Following further detailed review and management action the projected overspend for this Department is now reduced from £0.996 million to £0.526 million, a reduction of £0.47 million on last month.

The significant overspends continue to be

- Sports Centres – loss of income and additional employee costs, £640,000
- Highways maintenance, £200,000
- Trade waste potential additional disposal costs, £136,000

The DRE Management Board are continuing to robustly review the budget projections and identify further savings and efficiencies in order to achieve spend to budget.

3.6.1 Regeneration Implementation Division

Regeneration Implementation Division is now projecting to remain within their core budget through identifying additional funding and calling on previously agreed Corporate funding mainly for the recently held successful hosting of the BURA Conference.

3.6.2 Planning and Development

Planning and Development continue to project to spend to budget against their base budget and have also identified a £50,000 contribution towards the overall departmental 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 have been identified of £180,000 to contribute towards the overall department projected overspend, which include a one-off back dated commercial rent.

3.6.4 Environment, Highways, Roads and Transport

Parking income projection remains at a net additional income of £160,000. In addition, the introduction of CCTV in bus lanes has generated additional income of £40,000 in its first month. This level of income is expected to fall off as drivers become more aware of the CCTV regime.

The reduction in the 2005/06 revenue budget of £200,000 for Highways improvements continues to be a pressure on this services budget. In addition, the cost of the stores function is not being met by offsetting income and there is a projected overspend of £72,000 for this budget.

Further work on the potential impact of ELWA trade waste charging shows a projected overspend of £136,000. A full briefing note was provided for the Executive meeting on 25 October 2005.

The additional cost in Environment, Highways, Roads and Transport for wages is projected to be £40,000 and agency cover for long term sick leave in the 24/7 Care line function is now projected to reach £78,000.

There are a range of smaller pressure items totalling £226,000. These include additional traffic light maintenance costs, reduced grant funding, highways maintenance IT and consultancy costs.

The deferral of leasing vehicles, reduced need for black sacks and more effective working on the Seek & Destroy Street Furniture project has contributed £120,000 to meeting the projected overspend.

3.6.5 Leisure and Community Services

The salary projected overspend of £165,000 is partly offset by additional income generated from schools of £67,000. The effect of the closure of the Dagenham Small Pool has resulted in further reduced income and despite the re-opening of Goresbrook Leisure Centre income continues to project below the budget by £542,000. Wages in this Service Area are expected to be £61,000 greater than the budget.

A range of Leisure and Community Services budgets are being actively managed to contain costs and a contribution of £175,000 (last month £110,000) towards the projected overspend has been identified.

3.7 **Social Services**

The Department is presently projecting a year end underspend of £258,000 although caution is advised on full year projections after only six months' activity. This is a significant improvement from the previous months overspend position. It is anticipated that the modest underspend at present (0.25%) will provide a contingency against normal winter pressures and demands that impact on all areas of Social Services.

Although Departmentally the financial position is now favourable, significant financial pressures still remain within the service, in line with looking after more clients and in pursuit of improved performance. It is envisaged that by year end, depending on winter pressures, the overall financial position will in all likelihood be neutral.

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

- Children's Out-Borough Residential Placements
- Physical Disability Care Packages
- Learning Disability Residential Care Services
- 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.

3.7.1 **Children's Services**

Modest financial pressures are continuing in Social Work recruitment, especially around high cost agency staff usage, but in particular regarding support budgets for Looked after Children such as Section 17 support. Pressures also exist with regard to the Out-Borough Placements budget, this budget is projecting a net overspend of around £119,000 due to demands and additional numbers of children being placed.

3.7.2 Older Persons Services

The budget is broadly on target when taking into consideration grant slippage and contingencies within Older Persons. There are particular financial pressures in the Care Management staffing area (£279,000 projected overspend). Also there is pressure on the Care Packages budget. These pressures are offset by a favourable budget position in Delayed Transfer of Care (DTC)/hospital discharge arrangements, due to whole systems working with Health and investment in preventive services.

3.7.3 Adults with Disabilities

Significant pressures (£360,000) exist on the budget for Physical Disability Care Packages, linked to increased demands and growth in Direct Payment packages.

Also in line with national pressures, residential care and care packages in Learning Disabilities are currently projecting overspends in total of around £660,000. Factors contributing to this position include the additional costs of existing placements and new volume.

Due to contingencies and delays in the full implementation of new mental Health initiatives, there is presently an underspend of about £250,000 which is helping the overall position in Disabilities.

3.8 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 full spend is anticipated for this budget, which is primarily the running costs associated with the call centre, the project implementation team and customer service team.

4. Housing Revenue Account (HRA)

- 4.1 A comprehensive review of the Housing Revenue Account has been undertaken, and this shows a current projected underspend in 2005-06 of approximately £2 million. Appendix D shows the detailed breakdown of the HRA budget position. The reasons for this position are identified in the following paragraphs.
- 4.2 Rental income is estimated to overachieve by £733,000 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 1.5%. It is estimated that this improvement in managing voids will create a saving in the region of £527,000.

- 4.4 Income from leaseholders by way of service charges is projected to increase by £340,000. Although the volume of sales is lower than expected, the number of flats being sold is rising faster than estimated. Currently over 70% of all sales are flats.
- 4.5 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, a spend of only £2.6 million is anticipated by the year end.
- 4.6 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. If, however, over the next couple of months there is a need to commit more to repairs and maintenance, the Executive will be advised accordingly.
- 4.7 At this stage, the underspend of around £2 million will be added to balances. However, it is proposed that this underspend be a revenue contribution to offset the loss of capital receipts from the slow down in Council housing stock sales to help support the major 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 September this is estimated at about £600,000 for the year. The favourable position is arising due primarily 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, which was identified in the outturn report to Members on 12th July. This positive position will allow the strengthening of Council balances at the year end.

6. Savings and Pressures – Budget Decisions 2005/06

- 6.1 The Savings and Pressure items approved by Members as part of the 2005/06 budget process is being closely monitored by relevant Directors and the Director of Finance. Total savings for the EPCS block amounted to £7.017 million and pressures of £3.424 million. A summary by Department on their performance to date for meeting these targets is shown at Appendix B.
- 6.2 The latest position for 2005/06 is that the majority of the level of savings required and pressures commitment is being contained within relevant Departmental budgets. Where specific savings items are not being actioned the relevant Directors have reviewed their budgets appropriately. This relates to the Regeneration and Environment Department where the Director is identifying other areas of savings to ensure the identified target has been met for the year.

7. Capital Programme

- 7.1 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.

- 7.2 As at the end of September, approximately £27 million 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 September is 28% of the total programme.
- 7.3 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 rollforward sums are continuing be monitored through the Resource Monitoring Panels and by the Corporate Programme Management Office (CPMO)
- 7.4 The current projections indicate that there will be an overall spend by the year end of some £96.3 million in line with the original budget. This compares to projections of spend of £100.2 million in last month's report. The main variances are the lower spend projected on internal works on the housing stock of £2 million and £1.2 million on the rephasing of the Customer First programme of One Stop Shops. The projected percentage final spend of the capital programme is 100% of the original budget and 79.3% against the working budget.
- 7.5 Regular liaison between the CMPO 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 the last monitoring report reasons for major variances will be identified and reported as part of future monitoring reports. Last month's monitoring report included a number of reprofiled schemes and these are being updated in the report supplied to project sponsors each month by the CPMO and the outcome of this exercise will feature in next months Budget Monitoring report to the Executive. For this month, however, no schemes require reprofiling.

8. **Consultees**

- 8.1 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