

MUNICIPAL YEAR 2008/2009 REPORT NO. 200

MEETING TITLE AND DATE:

Cabinet
4th March 2009

AGENDA PART 1**ITEM 6****Revenue Monitoring Report
December 2008****REPORT OF:**

Director of Finance and
Corporate Resources

**Cabinet Member consulted:
Councillor Ertan Hurer**

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1. EXECUTIVE SUMMARY

- 1.1 This report sets out the Council's revenue budget monitoring position for 2008/09 based on information to the end of December 2008. The report indicates a potential underspend within departmental budgets of £613k. After allowing for anticipated further interest receipts and contingent items not expected to be needed, there is a potential net corporate underspend of £1,160k. This is also after taking into account expected additional LABGI Grant (£375k), lower interest on HRA balances and contributions to reserves to fund the additional costs of the new waste recycling contract (£600k) expected to be incurred over the next two years before savings are achieved and to create an interest rate equalisation account (£2,000k).
- 1.2 As a result of the increased emphasis on safeguarding children, there has been an increase in referrals. These have been taken into account in the forecast.

2. RECOMMENDATION

- 2.1 To set aside the projected underspend for the purposes described in para 3.7.

3. BACKGROUND

- 3.1 The Council's revenue expenditure against budget is monitored via the regular monthly monitoring reports to Cabinet. These reports provide a snapshot of the revenue position for each department and for the Council as a whole, and provide details of any projected additional budget pressures.
- 3.2 The Revenue Monitoring Report is a result of the monthly monitoring process carried out by the individual departments, which encompasses the following principles in order to ensure accuracy, transparency and consistency:

- The monitoring is based on risk assessments to enable greater emphasis to be placed on high-risk budgets throughout the year.
- Comparisons are made between expenditure to date, current budgets and budget profiles.
- Expenditure is predicted to the year-end, taking account of seasonal fluctuations and other determinants of demand.
- The 'Key Drivers' that affect, particularly, the high-risk budgets are monitored and reported to Department Management Teams.
- Action plans to deal with any areas that are predicting or experiencing problems staying within agreed budgets are produced.

Variances Summary

- 3.3 The December monitor is showing a potential underspend of £613k on Departmental budgets, representing an improvement of £324k from the position reported for November. The main reason is an increase in the projected underspend for ECSL due to additional "one off" Asylum Seekers grant funding received in respect of 2007/08.
- 3.4 Other significant movements include the receipt of additional income under the DWP Housing Benefit Incentive Scheme (£1m); formerly the monitor only included increased subsidy of £400k. The Revenue and Benefits Service is expected to achieve the additional subsidy through limiting the extent of local authority overpayment errors. However, this is largely offset through a projected deficit on the Legal Services Trading Account and additional other spending pressures within the Revenues and Benefits Service.
- 3.5 The above net departmental underspend is further increased as a result of projected corporate savings. Investment income is projected to be £1,800k over the original budget; no change since last month's report. The effect of lower interest rates will not be felt until 2009/10. The projected need for contingency and contingent items has been closely monitored so far in 2008/09, and the year is now far enough advanced that a projection of £538k can now be made on the likely contingent items provision not required. A further saving to the General Fund is projected due to lower interest attributable to HRA balances (£500k). Also, the Authority has been notified of additional LABGI Grant in the current year (£375k). This funding may be used for any council purpose.
- 3.6 This report discloses an overall favourable position, projecting an underspend of £1,160k after taking account earlier Cabinet decisions to allocate £2.6m to earmarked reserves in respect of interest rate equalisation and the waste recycling contract. However, given the uncertainties noted elsewhere in the report and future pressures, it is essential that Departments continue to monitor their budgets closely and manage costs within the resources available.

Risks and Uncertainties

- 3.7 In addition to the issues noted above, further work is being undertaken in the following areas:

Progress has been made in finalising the audit of a number of Housing Benefit Subsidy claims going back to 2004/05. The impact on the Council's revenue account is currently being assessed.

The ongoing effect of the introduction of new terms and conditions from 1st January 2009 for manual staff is being finalised. Since there will only be a part year effect in 2008/09, there will be surplus provision in the current year. Further details are expected to be available for the January monitor.

In light of the current economic environment and the pressures facing the council in the medium term, members have approved the establishment of an interest rate equalisation reserve (see para 6.1) with an initial contribution of £2.0m. It is proposed to allocate the remaining underspend on a priority basis to:

- Set aside funding for future restructuring costs;
- Set aside funding for departmental priorities considered corporately through the project carry forward process;
- Making some provision for the impairment of the council's Heritable Bank investment;
- Allocate revenue resources to fund capital expenditure/IT investment

Under government regulations, any impairment of investments in Icelandic banks can be postponed from 2008/09 to 2010/11. However, it would be prudent to begin setting aside money in a reserve to address the impact of impairment once this becomes necessary.

3.8 It is also proposed that the final decision on the allocation of funding to each of these measures be allocated to the Director of Finance and Corporate Resources in consultation with the Chief Executive and the Leader and Cabinet Member for Finance and Corporate Resources.

4. December 2008 MONITORING - GENERAL FUND

4.1 A summary of the variances to budget in the monitoring position is shown in the table below:

Table 1: Budget variances at 31st December 2008

	November £000	December £000
Health and Adult Social Care	0	0
Place Shaping and Enterprise	75	78
Education, Children's Services and Leisure	(495)	(754)
Environmental Services and Street Scene	201	145
Finance and Corporate Resources	247	200
Chief Executive	(317)	(282)
Aggregate Departmental Position	(289)	(613)

	November £000	December £000
Other General Fund items:		
Treasury Management	(1,800)	(2,300)
Minimum Revenue Provision	66	66
Contingent Items	(518)	(538)
Additional LABGI Grant	0	(375)
Contributions to Earmarked Reserves	0	2,600
Total budget pressures/ (savings)	(2,541)	(1,160)

Details of the budget pressures and variations can be found in sections 5 and 6 of this report.

- 4.2 It is recommended that the use of the projected underspend should be considered as part of the review of the Medium Term Financial Plan.

5. SERVICE GROUP MONITORING INFORMATION – BUDGET PRESSURES

5.1 Health and Social Care – Projected Level Spend (Movement since November – nil)

The monitoring variations in respect of Health and Social Care are described in Appendix 2.

5.1.1 Community Housing Services

The monitor for Community Housing Services overall is projecting in line with budget for November. This is after the decision taken by Cabinet on 26th November 2008 to continue to ring fence service underspends in the current year for re-investing in initiatives to address homelessness and reduce numbers in temporary accommodation. As at December, the net underspend for the year is estimated at £1.439m after allocating net funding of £466k to new homelessness initiatives.

Anticipated changes in national mechanisms for funding temporary accommodation and homelessness present a significant risk for future financial years which will limit the level of funding available for homelessness projects.

5.1.2 Adult Social Services

Adult Social Services is reporting a slight overspend as at the end of November, but this will be absorbed by the departmental contingency budget, to bring the division into a balanced position overall. However the delivery of substantial in year savings of £4.9m remains challenging. There are a number of potential variances in 2008/09 as detailed in Appendix 2 and these will be closely managed. Demand pressures continue to be

seen this year and “risk” funding is available to offset these overspends.

A potential risk that is currently being investigated concerns the level of income due that is subject to a charge on clients’ property (deferred income). Further work is being undertaken the outcome of which will be included in future monitoring reports.

5.2 Place Shaping and Enterprise – Projected £78k overspend (Movement since November +£3k)

The Place Shaping and Enterprise Department is projecting an overspend of £78k at the end of December.

The monitoring variations in respect of Place Shaping and Enterprise are described in Appendix 3.

As in previous months, the major variations are within Property Services which is currently projected to overspend by £350k to £400k. There is a shortfall in rental income across the portfolio, due to factors including under occupation of some premises and increases in costs on others.

However, the delay in the implementation of the new staff structure has resulted in a saving to offset the lost income.

5.3 Education, Children’s Services & Leisure – Projected £754k Underspend (Movement since November -£259k)

The ECSL Department is projecting an underspend of £754k at the end of December.

The monitoring variations in respect of the Education, Children’s Services and Leisure Department are described in Appendix 4.

5.3.1. Non Schools Departmental Budgets

The most significant variations are in Children’s & Families Services where last month’s projected underspend of £841k has increased by £353k to £1,194k. The main changes refer to Asylum Seekers (£239k) due to a recent award of £255k in respect of the Council’s shortfall on the UASC 18+ Leaving Care 2007/08 grant and a further £75k reduction in projected spending within Care Purchasing reflecting the estimated number and costs of placements for the remainder of this financial year.

Other variances projected include:

A net underspend across Education, Learning and Community Services of £25k mainly due to the underspend on the leisure centres management fee budget. The movement this month of £96k is due to a provision of £135k set aside in the 2007/08 accounts for the likelihood of VAT being payable retrospectively on membership fees no longer required as a result of a change in policy by HM Revenue and Customs. This projected

underspend is partially offset by additional costs associated with the bid to the Heritage Lottery Fund to assist with the refurbishment of Forty Hall.

There is an increase in the projected overspend on the Strategy and Resources Division of £136k this month to a total of £348k. The movement largely reflects increased net spending on catering and cleaning services as a result of lower income projections for catering. Other significant projected overspendings relate to £100k for legal costs which includes the schools PFI adjudication legal charge together with £89k consultancy fees relating to a review of the cleaning service.

5.3.2 Schools' Budget

There have been only a minor movement in the projected spending on the Schools Budget this month. The projected underspend on SEN provision has increased by £34k to £676k as a result of changes in the projection for the number and costs of placing pupils in appropriate schools.

5.4 Environment and Street Scene – Projected £145k overspend (Movement since November - £56k)

The ESS Department is projecting an overspend of £145k at the end of December.

The monitoring variations in respect of Environment and Street Scene are described in Appendix 5.

The movement in the month refers to further savings on the Street Lighting contract.

The main variations from budget are:

A projected overspend of £302k on central office services, in particular legal costs. The legal cost projection is based on current trends continuing for the rest of the year. There have been certain additional demands for external legal support, which cannot be avoided, however further reasons for the high costs are still being investigated with a view to taking mitigating action.

The projected underspend in the fleet management leasing budget remains at £170k due to further deferral of the waste vehicle replacement programme. This is after allocating funding of £150k to address the pressure for one off costs for the implementation of services remapping in Waste Services.

5.5 Finance and Corporate Resources – Projected £200k overspend (Movement since November -£47k)

The Finance & Corporate Resources Department is projecting a £200k overspend at the end of December.

The detailed monitoring variations in respect of the Finance and Corporate Resources Department are described in Appendix 6.

The principal variation remains the projected shortfall in income from Local Land Charges, which has now increased to £578k. This reflects both the current low level of activity in the housing market and the loss of market share to personal search agents. This has been identified as a continuing pressure into 2009/10. Work is in progress to review the existing charging structure for Land Charges services with a view to establishing a sustainable business position in the longer term.

A net saving of £295k has been identified in the Serco contract arising from the effect of renegotiated support costs, service credits and other service efficiencies. This is net of a £290k contribution to the contribution to the IT contract renewal reserve.

The legal trading account is projecting a deficit for the year of £200k largely reflecting lower income levels.

The monitor takes into account projected increased subsidy receivable from the DWP as a result of the performance of the Revenues and Benefits Service in containing the level of local authority overpayment errors (£1m); previous monitors only reflected increased subsidy of £400k. The service is currently on target to achieve the increased £1m subsidy and is expecting to maintain this level of performance to the end of the year. The monitor also reflects net increased service cost pressures of £633k both in respect of addressing claim volumes and in reducing local authority payment errors to maximize subsidy entitlement. Overall, there is a projected net underspend on the service of £367k. The 2009/10 service budget has been re-aligned in accordance with the current level of service activity and performance.

5.6 Chief Executive's Department – Projected £282k Underspend (Movement since November +£35k)

The Chief Executive's Department is reporting a potential underspend of £282k at the end of December.

The detailed monitoring variations in respect of the Chief Executive's Department are described in Appendix 7.

The movement from last month relates to additional costs of the Concessionary Travel Service (disability assessments and issue costs - £134k) partially contained by further net savings in employee costs (£95k), additional expenditure on health and safety training (£22k) and on employee costs within the Web Team (£41k).

The previously reported overspend due to unrealisable savings from the restructuring of the Corporate Improvement Team is being addressed from central contingencies and therefore no longer applies.

The major variation item for the Chief Executive's Department is the forecast recovery of agency rebate fees £381k in excess of budget. Members will be aware that the Council operates a contract for the supply of agency staff at a favourable rate to the Council, with the savings received as a monthly rebate. It should be noted that the £381k is a prudent estimate at this stage. A review of the agency rebate is being undertaken as part of the January monitor,

6. OTHER GENERAL FUND ITEMS

6.1 Treasury Management – Projected £2,300k Underspend (Movement since November -£500k)

So far this year, interest rate movements have had a beneficial impact on the Council's treasury transactions. The average actual interest rate on investments being achieved is currently around 6% compared to the forecast rate of 5.25% assumed in the budget process. Additional investment income is now projected to be £1,800k. Recent reductions in the base rate have not impacted on actual investment returns so far this year, as investment income is set on a fixed term basis at the date the investments are made, which for those maturing during 2008/09 has been at the previous high levels of interest achievable. However, our deposits are for less than one year, and the impact on the 2009/10 budget is being considered as part of the Medium Term Financial Planning process.

The council repaid £30 million of PWLB loans at an average interest rate of 4.4%, this was in anticipation of interest rate reductions in November and for the rest of the year. The resultant lower level of investments results in a reduced exposure to falling interest rates, and a reduced risk of counterparty default.

Given the variability of market interest rates in the current economic climate, members have approved the setting up an Interest Rate Equalisation Reserve. This would allow for a sustainable and prudent budget to be set for investment income over the medium term, and market variations to be dealt with by contributions to or from the reserve at year end.

An additional saving is reported this month arising from the recalculation of interest attributable to HRA balances (£500k). This is due to the projected reduction in HRA reserve balances being applied in funding works to the housing stock.

Members should note that because the Council's debt is all at fixed rates, the Council is not exposed to increases in interest rates on its borrowings.

The calculation of the final Minimum Revenue Provision for 2008/09 has identified a requirement for £66k more than budget. This is due to the cessation of commutation adjustment in 2007/08 for Enfield.

6.2 Contingency and Contingent Items

The Council includes a general contingency of £1,000k to deal with unforeseen events and as a general safeguard against the risk of a general overspend. In addition there are a number of contingent items (£2,248k) that relate to spending requirements that are expected to arise at some point during the current financial year, but about which there is some uncertainty regarding the amount or timing of the financial impact.

The table below summarises the position on these items as at the end of December, with £756k allocated to department budgets and a projected further requirement of £1,954k.

This leaves potentially £538k not required.

Table 2: Contingency and Contingent Items 2008/09

	Dept	Estimate £000s	Allocated £000s	Balance £000s	Projected Req £000s
Loss of Income – Commercial Rents	PSE	140		140	0
Empty Property Rates	PSE	125		125	106
Regeneration match funding	PSE	100		100	100
Statutory Development Plan	ESS	250	27	277	277
Court costs – child care proceedings	ECSL	332		332	80
Part year effect savings	CENT	500		500	500
Revenue Impact of new capital schemes	CENT	115		115	105
MSS/ESS project	CENT	150		150	100
Central Payments Team saving	CENT	(102)	102	-	-
Other contingent items		638	(254)	384	317
Total Contingent Items		2,248	(125)	2,123	1,585
General Contingency	CENT	1,000	(631)	369	369
Contingency and Contingent items		3,248	(756)	2,492	1,954

7. HOUSING REVENUE ACCOUNT (HRA) – Projected £466k Surplus (Movement since November +£478k)

The HRA is projecting a surplus of £478k at the end of December. This is mostly due to the previously reported underspend on Rent Rebate Subsidy Limitation (RRSL) of £490k. This underspend is due to a recalculation of this cost and is consistent with the underspend reported in the 2007/08 outturn.

There is also a higher collection of rental income than was included in the budget, due to fewer voids and higher occupation levels. Additional rental income from both dwellings and non-dwellings of £878k is projected.

This, however, has been offset through a decrease in interest on HRA balances reflecting the planned use of reserves particularly in connection with works to the housing stock (£500k) and an overestimate of housing subsidy applicable to 2007/08 arising from the audit of the subsidy claim.

It is intended to vire part of the underspend on the HRA to Enfield Homes to cover the cost of the set up of Enfield Homes and a number of service improvements. This will be the subject of a detailed report to the Lead Member for Housing.

Enfield Homes and the Council are working together to review budgets to ascertain whether there are any further budget pressures or savings.

8. INCOME COLLECTION TARGETS

- 8.1 The Council sets targets for the collection of income and undertakes regular monitoring of performance and reports to Cabinet on a quarterly basis. This section sets out the 2008/09 collection targets for the following categories of income: General Income, including Social Services; Council Tax, NNDR, housing benefit overpayments; and housing rents. It also gives the actual position as at the end of December 2008.

General Income

- 8.2 General income covers invoices raised by all departments and includes income in respect of commercial rents, Primary Care Trust contributions to care costs, trade refuse, education recoupment and services provided to schools. It also includes Social Services' income for community based services, home meals, residential care services and community alarm. The table below shows the overall debt position for general income and social services income in terms of overall debt and debt over 3 months and a year old, with key collection targets for 2008/09. The figures shown in brackets are the 2007/08 comparators for the equivalent period. The 2008/09 collection targets relate particularly to the collection of older debt, as this is inevitably more difficult to collect.

	Total Income Due 31.12.09	Debt over 3 months		Debt over one year	
		Target 31.03.09	Actual to 31.12.08	Target 31.03.09	Actual to 31.12.08
General Debt	£10.4m	£2.6m (£3.0m)	£2.7m (£4.0m)	£1.2m (£2.0m)	£1.6m (2.1m)
Social Services	£4.0m	£2.0m (£2.0m)	£2.8m (£2.7m)	£1.0m (£1.0m)	£1.6m (£1.4m)
Total	£14.4m	£4.6m (£5.0m)	£5.5m (£6.7m)	£2.2m (£3.0m)	£3.2m (£3.5m)

The stretch targets agreed by Cabinet on the 18th June for 2008/09 are set out in the above table.

The Community Alarm service has transferred to the Health & Adult Social Care Finance Team with effect from the 1st April 2008, who now have responsibility for the collection and monitoring of income for this service. The use of direct debits is being promoted as the most cost effective method of income collection for all community care services and work is being undertaken to encourage this method of payment.

Council Tax, NNDR, and Housing Benefit overpayments

- 8.3 As at 31 March 2008, the outstanding debts in respect of Council Tax, NNDR, and Housing benefit overpayments stood at £22.8m, £2.4m, and £9.0m respectively. In year collection rates for Council Tax, NNDR and Housing Benefit overpayments are best value performance indicators and included in the Council's Improvement Plan.

Performance for 2008/09 against targets to date and projections for the full year are shown in the following table. The figures shown in brackets are the comparators from 2007/08 for the equivalent period.

2008/09 Collection Rates	April – December		2008/09	
	Target	Actual	Target	Projected
BVPI 9 Council Tax in year collection	81.20%	82.29% (81.15%)	95.90%	96.00% (95.53%)
BVPI 10 Business Rates in year collection	86.70%	86.20% (86.62%)	99.12%	98.50% (99.15%)
PM7 Housing Benefit in year collection	82.00%	91.88% (96.65%)	81.00%	87.00% (89.41%)

HRA Rents

- 8.4 As at the 31 December 2008, the level of rent arrears outstanding for current HRA tenants was £2.3m; this represents 4.6% of the 2008/09 rent debit (£49.9m). Former tenants' debt stood at £1.1m as at 31 December 2008. Separate rent collection targets are set for current housing tenants and for former tenants. The targets relating to current tenants are also best value performance indicators, as shown in the following table.

	April – December		2008/09	
	Target	Actual	Target	Projected
Current tenants				
BVPI 66a Rent collected as a proportion of rent owed.	98.00%	97.73%	98.00%	98.00%
BVPI 66b The percentage of tenants with more than 7 weeks of rent arrears as a percentage of the total number of tenants.	7.50%	7.06%	7.50%	7.50%

BVPI66a measures performance in collecting rent from current tenants,

including that met through housing benefit, as a proportion of the annual rent available on occupied properties plus current tenant rent arrears at the start of the year. This BVPI is included in the CPA housing service block assessment.

9. EARMARKED RESERVES

9.1 As well as the Council's general balance and the Housing Revenue Account balance, which the body of this report monitors, the Council also holds a number of Earmarked Reserves. These have been created to fund specific projects or to spread the cost of expenditure items over a number of years where the profile is not even. The balance held at any given point in time in Earmarked Reserves relates to anticipated future expenditure needs.

The table below summarises the current position.

Earmarked Reserves Balances	Actual 31.03.08 £000s	Estimate 31.03.09 £000s	Estimate 31.03.10 £000s
General Fund	58,987	45,762	32,752
Housing Revenue Account	19,583	9,727	8,937
Total	78,570	55,489	41,689

9.2 A review of earmarked reserves has been undertaken as part of the budget setting process. The review concluded that the level of reserves was adequate and recommendations have been made to allocate resources to projects including the IT work plan.

9.3 The above table reflects:

- the carrying forward of Working Neighbourhood funding (allocated through Area Based Grant) as proposals for utilising the resource are currently being developed and likely to be initiated in 2009/10;
- the carrying forward of the estimated remaining balance of the current year LEANER pump priming funding to support projects in future years.

10. ACHIEVEMENT OF SAVINGS

10.1 The Budget 2008/09 and the Medium Term Financial Plan report approved by Cabinet on 27 February 2008 included efficiency and other savings of £11.9m to be made during the 2008/09 financial year.

Progress as at December, in achieving the target savings is summarised in Appendix 8.

Routine monitoring reports comment on progress in implementing the savings and classify each item as blue, green, amber or red. Blue denotes savings that have been fully achieved; Green signifies that the saving is on target for full implementation; if implementation issues have been

identified, but the saving is likely to be achieved, it is classified as Amber; and if there is a serious problem it will be given a Red classification. A summary of the areas where there is concern as to the achievement of the saving (i.e. an amber or red traffic light) is shown in Appendix 9. However, it should be noted that alternative savings are being found to ensure that overall savings targets are met.

11. ALTERNATIVE OPTIONS CONSIDERED

11.1 Not applicable to this report.

12. REASONS FOR RECOMMENDATIONS

12.1 To ensure that Members are aware of the projected budgetary position for the Authority, including all major budget pressures and underspends which have contributed to the present monthly position and that are likely to affect the final outturn.

13. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

13.1 Financial Implications

Section 28 of the Local Government Finance Act 2003 requires the authority to review the financial position of the authority with regard to the statutory calculations used to set the budget and Council Tax. If in carrying out this review there has been a deterioration in the financial position, the Authority must take action as necessary to deal with the situation.

The Director of Finance and Corporate Resources regularly reviews the financial position of the authority as part of the monitoring process and can confirm that currently there is no deterioration in the financial position of the Authority. Measures will be put in place to address risks identified through the monitoring process and to contain expenditure within approved budgets.

13.2 Legal Implications

The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.

13.3 Risk Management Implications

These are addressed in section 3 of the report

14. PUTTING ENFIELD FIRST

14.1 The report contributes to objectives within Aim 5 – Provide high quality and efficient services.

