

MUNICIPAL YEAR 2008/2009 REPORT NO. 141

MEETING TITLE AND DATE:

Cabinet
26th November 2008

AGENDA PART 1**ITEM 6****Revenue Monitoring Report
September 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 September 2008. The report indicates a potential overspend within departmental budgets of £218k. After allowing for anticipated further interest receipts and contingent items not expected to be needed, there is a potential net corporate underspend of £2,130k.
- 1.2 In addition this reports on key balance sheet items for the first six months of the year.

2. RECOMMENDATIONS

- 2.1 To note the contents of the report.
- 2.2 To agree that the allocation of any resources identified during the monitoring of the 2008/09 budget is to be considered as part of the 2009/10 budget process and review of the Medium Term Financial Plan.
- 2.3 To continue in the current year to ring fence and carry forward underspends on homelessness to address future pressures but that this should be subject to review in future years.

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 September monitor is showing a potential overspend of £218k on Departmental budgets, representing an improvement of £392k from the position reported for August. The major reason for the movement is increased income now projected for the agency staff rebate (£380k). In previous months' monitoring discrepancies in management information meant that a firm position on this could not be ascertained. These discrepancies have now been resolved.

3.4 Other major departmental variances remain as reported previously. In particular, there are pressures within the Finance and Corporate Resources Department from a projected shortfall in Land Charges income, within Place Shaping and Enterprise due to shortfalls in rental income, and there is a projected underspend within Education, Children's Services and Leisure on care purchasing for looked after children.

3.5 The above net departmental overspend is fully offset as a result of projected corporate savings. Investment income is now projected to be £1,800k over the original budget, representing an increase of £600k since last month's report. 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 £548k can now be made on the likely contingent items provision not required.

3.6 This report discloses an overall favourable position, projecting an underspend of £2,130k. However, given the uncertainties noted elsewhere in the report, it is essential that Departments continue to monitor their budgets closely and manage costs within the resources available.

Risks and Uncertainties

- 3.7 The Council also faces pressures arising from the current high prices for fuel and energy. The overall increase in fuel costs across the Council is estimated at £222k as at the end of September, an increase of £8k since the August estimate of £214k. More recent falls in fuel prices should reduce this pressure. This will be considered in future monitoring reports.
- 3.8 The majority of the Council's gas and electricity contracts are due for renewal during the Autumn. Accurate projections of the likely price increases under the new contracts are particularly difficult given the current volatility in the energy markets. The full effect will generally not be known until around two weeks after the individual contract commencement dates but the indications remain that the Council can expect gas increases in the region of 50% to 60% and electricity increase of 100% to 115% with regard to these contracts. The estimated effect of these increases in the current year is £450k. Energy conservation measures are being taken which should reduce the Council's usage of energy, and this will help mitigate the pressure.
- 3.9 Once there is a clearer indication of the actual price increase in fuel and energy costs, there will be an allocation from central contingency to address the additional cost.
- 3.10 At this stage in the year there is the likelihood that the Council will benefit from additional income under the DWP Housing Benefit Subsidy Incentive Scheme. Under this arrangement, an authority receives further subsidy where overpayments of benefit that are attributable to authority error (eg as a result of processing delays) are within tight limits set by the DWP. Enfield's performance in 2008/09 has so far been consistently within the overpayment limit to qualify for additional subsidy. After allowing for additional staffing costs to maintain current performance levels, it is estimated that further net subsidy of up to £700k would be receivable. Given that there is some uncertainty over this income, this has not been included in the overall corporate general fund monitoring position.
- 3.11 In light of the current economic environment, and the pressures facing the Council in the medium term, the allocation of any resources identified during the monitoring of the 2008/09 budget will be considered as part of the 2009/10 budget process and review of the medium term financial plan.

4. September 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 30th September 2008

	August £000	September £000
Health and Adult Social Care	0	0
Place Shaping and Enterprise	448	388
Education, Children's Services and Leisure	(505)	(495)
Environmental Services and Street Scene	128	167
Finance and Corporate Resources	484	527
Chief Executive	55	(369)
Aggregate Departmental Position	610	218
Other General Fund items:		
Treasury Management	(1,200)	(1,800)
Contingent Items	0	(548)
Total budget pressures/ (savings)	(590)	(2,130)

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 2009/10 budget process and 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 August – 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 September. However, this has taken account of the Cabinet decision on the 17th January 2008 to ring fence, and carry forward to future years, service underspends for re-investing in initiatives to address homelessness and reduce numbers in temporary accommodation. It is proposed to continue this policy for the current year with any further continuation beyond 2008/09 to be subject to review. As at September, the net underspend for the year is estimated at £1.702m. This is consistent with the 2007/08 outturn and reflects additional net rental income from temporary accommodation (due to increased numbers) and a lower than budgeted contribution to bad debt provisions.

While there is no significant risk attached to these services, it is anticipated that there will be changes in national mechanisms for funding temporary accommodation in future years which will limit the level of funding available for homelessness initiatives. The effect of these changes is being considered further in the budget setting process for 2009/10 and review of the medium term financial plan.

5.1.2 Adult Social Services

Adult Social Services is reporting a slight overspend as at the end of September, 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. The full year effect of these pressures is being considered as part of the 2009/10 budget process and review of the Medium Term Financial Plan.

5.2 Place Shaping and Enterprise – Projected £388k overspend (Movement since August - £60k)

The Place Shaping and Enterprise Department is projecting an overspend of £388k at the end of September.

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 £332k. There is a shortfall in rental income across the portfolio, due to factors including underoccupation of some premises and increases in costs on others. The increase in overspend of £42k since August is mainly due to further shortfalls in rental income. Further reductions are anticipated given the state of the property market.

The overall departmental position has improved, due to additional schools income within Architectural Services, and an action plan being put into place to address the previously reported overspend in Facilities Management.

5.3 Education, Children's Services & Leisure – Projected £495k Underspend (Movement since August +£10k)

The ECSL Department is projecting an underspend of £495k at the end of September.

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, who are projecting an underspend of £652k overall. Spending on care purchasing for children is projected to be lower than the budget as a result of fewer children needing to be placed in care and some children requiring less expensive placements. The projected underspend of £812k, net of the costs of the possible social worker retention payment, represents a further reduction of £189k since August. This is partially offset by temporary increases in staffing costs associated with the introduction of the Liquid Logic system.

It should be noted that the children's care purchasing budget remains a volatile area, and is influenced by the needs of individual cases.

Other variances projected include:

A net underspend across Education, Learning and Community Services of £91k, mainly due to the underspend on the leisure centres management fee budget;

The previously reported underspend in Children's Access and Support of £103k is no longer projected, mainly due to £240k additional transportation costs being incurred in Special Educational Needs. This increased transportation spending has been partially offset by a reduction of £98k in the reported Educational Psychologists budget.

5.3.2 Schools Budget

The projected outturn position for the Schools Budget in 2008/09 has reduced from a projected underspend of £27k last month to an underspend of £76k. This is due to further savings in the Special Educational Needs Recoupment Budgets.

5.4 Environment and Street Scene – Projected £167k overspend (Movement since August - +£39k)

The ESS Department is projecting an overspend of £167k at the end of September.

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

The main variations from budget are:

A projected overspend of £317k 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 has increased to £315k due to further deferral of the waste vehicle replacement programme. The implementation of measures contained in the Waste Services Review have now been agreed, and the one off implementation costs in 2008/09 of £150k arising partially offset this underspend.

Previous monitoring reports have noted that there were three savings items included in the department's approved budget, totalling £115k, where there was some degree of uncertainty over their achievability. The Department has now put in place actions to contain these pressures within budget or to offer alternative savings and therefore these have not been included in the above monitoring variations.

5.5 Finance and Corporate Resources – Projected £527k overspend (Movement since August - +£43k)

The Finance and Corporate Resources Department is projecting a £527k overspend at the end of September.

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 £451k. 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.

5.6 Chief Executive's Department – Projected £369k Underspend (Movement since August - -£424k)

The Chief Executive's Department is reporting a potential underspend of £369k at the end of September.

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

The major item, and the reason for the movement in overall projection, is a forecast recovery of agency rebate fees £380k 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. Currently an increased use of agency staff over that budgeted for is realising the above saving.

A firm projection for the rebate has not been possible in previous months due to discrepancies in management information which have now been resolved. It should also be noted that £380k is a prudent forecast at this stage.

6. OTHER GENERAL FUND ITEMS

6.1 Treasury Management – Projected £1,800k Underspend (Movement since August – -£600k)

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 (an increase on £600k from that previously reported). 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.

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.

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 September, with £292k allocated to department budgets and a projected further requirement of £2,408k.

This leaves potentially £548k not required. However, the projected draw on contingency due to the high fuel and energy costs to come is still an estimated figure, and it remains a possibility that this will require funding beyond that available in general contingency. Further price information will be available soon, at which point a firmer projection on the draw on these resources will be possible.

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	125
Regeneration match funding	PSE	100		100	100
Statutory Development Plan	ESS	250	27	277	277
Court costs – child care proceedings	ECSL	332		332	50
Part year effect savings	CENT	500		500	500
Revenue Impact of new capital schemes	CENT	115		115	115
MSS/ESS project	CENT	150		150	100
Hay Review	CENT	153		153	153
Central Payments Team saving	CENT	(102)	102	-	-
Other contingent items		485	(244)	241	165
Total Contingent Items		2,248	(115)	2,133	1,585
General Contingency	CENT	1,000	(177)	823	823
Contingency and Contingent items		3,248	(292)	2,956	2,408

7. HOUSING REVENUE ACCOUNT (HRA) – Projected £617k Surplus (Movement since August – -£127k)

The HRA is projecting a surplus of £617k at the end of September. 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.

In addition increased rental income from commercial shops due to higher occupation levels is now projected, increasing the overall HRA surplus.

Enfield Homes is reporting a small underspend of £5k on their delegated budget monitor for the end of September. The budgets managed by Enfield Homes are currently projected to be underspent by £196k, as the net position on the repairs and maintenance budgets.

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

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 September 2008.

8.1 General Income.

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. The 2008/09 collection targets relate particularly to the collection of older debt, as this is almost inevitably more difficult to collect.

	Total Income Due 30.09.08	Debt over 3 months		Debt over one year	
		Target 31.03.09	Actual to 30.09.08	Target 31.03.09	Actual to 30.09.08
General Debt	£12.4m	£2.6m (£3.0m)	£3.3m (£4.6m)	£1.2m (£2.0m)	£2.0m (2.1m)
Social Services	£4.1m	£2.0m (£2.0m)	£2.5m (£2.6m)	£1.0m (£1.0m)	£1.3m (£1.4m)
Total	£16.5m	£4.6m (£5.0m)	£5.8m (£7.2m)	£2.2m (£3.0m)	£3.3m (£3.5m)

The general income recovery targets set in May 2007 were met, with ongoing reductions in overall debt as well as “aged” debt over the last 4 years. 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.

8.2 Council Tax, NNDR, and Housing Benefit overpayments

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.

2008/09 Collection Rates	April – September		2008/09	
	Target	Actual	Target	Projected
BVPI 9 Council Tax in year collection	54.25%	55.00% (54.20%)	95.90%	95.90% (95.53%)
BVPI 10 Business Rates in year collection	58.20%	57.98% (59.08%)	99.12%	99.12% (99.15%)
PM7 Housing Benefit Overpayment collection	95.00%	93.53% (88.69%)	80.00%	80.00% (89.41%)

At this stage in the year the worsening economic climate is not having a noticeable effect on the collection of business rates; as such the full year target is still projected to be met. However, there is a risk that this will impact on collection rates for the rest of the year. This will continue to be closely monitored.

8.3 HRA Rents

As at the 30th September 2008, the level of rent arrears outstanding for current HRA tenants was £2.2m; this represents 4.4% of the 2008/9 rent debit (£49.9m). Former tenants' debt stood at £1.1m as at 30th September 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 – September		2008/09	
	Target	Actual	Target	Projected
Current tenants				
BVPI 66a Rent collected as a proportion of rent owed.	98.00%	98.04%	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%	8.03%	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.

From 1 April 2008 responsibility for rent collection was delegated to Enfield Homes. Their performance in relation to the above indicators is monitored by the Council at monthly client liaison meetings, and through the Housing Services Board.

9. ACHIEVEMENT OF SAVINGS

- 9.1 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 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.

It should be noted that, although some items are still red or amber at this stage in the year, alternative savings are being found to ensure that overall savings targets are met.

10. ALTERNATIVE OPTIONS CONSIDERED

10.1 Not applicable to this report.

11. REASONS FOR RECOMMENDATIONS

11.1 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.

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

12.1 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.

12.2 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.

12.3 Risk Management Implications

These are addressed in section 3 of the report

13. PUTTING ENFIELD FIRST

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

