



London Borough of Hammersmith & Fulham

OVERVIEW AND SCRUTINY BOARD

28th January 2014

HIGH LEVEL REVENUE BUDGET MONITORING QUARTER 2 REPORT 2013-14

Report of the Executive Director of Finance & Corporate Governance

Open Report.

Classification - For Information
Key Decision: N/A

Wards Affected: All

Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance

Report Author: Gary Ironmonger

Contact Details: Gary Ironmonger
Tel: 020 (8753 2109)
E-mail: gary.ironmonger@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report presents the Revenue Monitoring position at the end of Quarter 2 (Sept 2013)
- 1.2. The General Fund outturn forecast is a favourable variance of £2.844m in 2013/14. The forecast underspend is before taking account of contingencies.
- 1.3. The HRA outturn forecast is a £0.140m underspend which will lead to a year end HRA General Reserve of £6.150m

2. RECOMMENDATIONS

- 2.1. To note the forecast General Fund underspend of £2.844m and the forecast HRA underspend of £0.140m.

3. REASONS FOR DECISION

- 3.1. Report for Information.

4. CORPORATE REVENUE MONITOR (CRM) 2013/14 GENERAL FUND OUTTURN FORECAST

Table 1: General Fund Projected Outturn – Quarter 2

Department	Revised Budget at Quarter 2 £000s	Forecast Year End Variance at Quarter 2 £000s	Forecast Year End Variance at Month 4 £000s
Adult Social Care	67,558	(1,111)	(1,158)
Children's Services	51,620	606	655
Unaccompanied Asylum Seeking Children	1,517	0	0
Environment, Leisure & Residents Services	31,855	(24)	(40)
Finance and Corporate Services	18,881	(30)	(150)
Housing & Regeneration	6,882	(304)	0
Library Services (Tri- Borough)	3,096	0	0
Public Health Services	312	0	0
Transport & Technical Services	15,951	0	142
Controlled Parking Account	(20,796)	(168)	22
Centrally Managed Budgets	31,292	(1,813)	(1,550)
Net Operating Expenditure*	208,168	(2,844)	(2,079)

*Figures in brackets represent underspends against budget.

- 4.1. A favourable variance of £2.844m is forecast for the General Fund. An improvement of £0.765m since last reported in month 4. Departmental variances are explained in Appendix 1.

5. CORPORATE REVENUE MONITOR 2012/13 HOUSING REVENUE ACCOUNT

Table 2: Housing Revenue Account Projected Outturn 2103/14

Housing Revenue Account	£000s
Balance as at 31 March 2013	(4,263)
Add: Budgeted Contribution to Balances	(1,747)
Add: Forecast Underspend	(140)
Projected Balance as at 31st March 2014	(6,150)

- 5.1. The HRA is forecast to underspend by £0.140m in 2013/14 (appendix 2) which would give a HRA General Reserve balance of £6.150m at year end.

6. CONSULTATION

6.1. N/A.

7. EQUALITY IMPLICATIONS

7.1. Report for information only therefore an EIA is not required.

8. LEGAL IMPLICATIONS

8.1. N/A

9. FINANCIAL AND RESOURCES IMPLICATIONS

9.1. A favourable outturn variance of £2.844m is forecast for the General Fund.

9.2. The HRA is forecast to underspend by £0.140m in 2013/14 leading to a year end HRA General Reserve balance of £6.150m.

9.3. Implications verified/completed by: Gary Ironmonger (Finance Manger – FCS).

10. RISK MANAGEMENT

10.1. The 2013/14 Budget Report identified financial risks and challenges facing the Council of £21.6m in 2013/14, rising to £37.09m in 2015/16. These risks will be monitored and actions to lessen their impacts will be taken in the relevant years to ensure that identified risks do not crystallise into overspends.

11. PROCUREMENT AND IT STRATEGY IMPLICATIONS

11.1. N/A

List of Appendices

Appendix 1	General Fund Quarter 2 Revenue Outturn Forecast 2013/14 by Department
Appendix 2	HRA Quarter 2 Revenue Outturn Forecast 2013/14

APPENDIX 1:

GENERAL FUND – PERIOD 4 REVENUE OUTTURN FORECAST 2013/14

ADULT SOCIAL CARE

1. Variance by Departmental Division

Departmental Division	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
Operations	41,574	(348)	(792)
Provided Service and Mental Health Partnership	12,243	(159)	(71)
Commissioning	12,231	(560)	(290)
Procurement and Business Intelligence	428	(29)	0
Finance	574	(3)	0
Directorate	383	(12)	(5)
Total	67,433	(1,111)	(1,158)

2. Variance Analysis

Departmental Division	Variance £000s	Explanation & Action Plans
Operations	(348)	<p>The majority of the projected underspend (£953,000) is in the Older People and Physical Disabilities Placements budget as there is an on-going reduction in client numbers. Between April 2012 and July 2013 there was a net decrease of 33 clients.</p> <p>In line with Tri-Borough ASC strategy to support clients at home, there are pressures on the Home Care Packages and Direct Payments budgets. For Older People and Physical Disabilities Services, there is a net projected overspend of £136,000 in these areas.</p> <p>Following the transfer of the Meals Service to the new service provider from the 1st of July 2013, there is a projected overspend of £170,000. There has been a delay in the start of the new contract (the initial start date was 8th April 2013) which accounts for £56,000 of the overspend and the remaining projection of £114,000 relates to implementation costs which will reduce over the lifetime of the contract in line with the Call Off Agreement. Over the life of the contract the savings anticipated are £1,224,000 which is revised to account for the delay in commencement of the contract (excluding the implementation costs).</p> <p>There is a projected overspend relating to the PFI</p>

Departmental Division	Variance £000s	Explanation & Action Plans
		Homes (Farm Lane & St Vincents) due to the current non-achievement of the Care UK savings of £275,000 which is within the Transforming Procurement programme. Following an expert decision on the PFI agreement which has resulted in the Council making an interim payment to Care UK, the department's assessment is that no savings can be achieved Within the Learning Disability Service.
Provided Service	(159)	There is a net projected underspend on a range of services including Support Planning Services, Mental Health Services and the Community Access Team.
Commissioning	(560)	The main reason for the projected underspend (£688,000) is due to Supporting People savings on new contracts from the West London Framework agreement and variations on existing contracts. In total 24 contracts have been varied and there has been a reduction in subsidy payments in one particular contract. This is offset by a projected overspend of £177,000 on Tri-borough Commissioning recharges. A number of queries in this budget are to be resolved, with the expectation that this projected overspend will be reduced.
Procurement & Business Int.	(29)	There is a projected underspend of (£29,000) on the training budget.
Finance	(3)	Marginal underspend projected in Client Affairs team.
Directorate	(12)	Marginal underspend on supplies and services.
Total	(1,111)	

CHILDREN'S SERVICES

1. Variance by Departmental Division

Departmental Division	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
Tri Borough Education Service	6,136	(451)	(455)
Family Services	31,275	435	514
Children's Commissioning	6,486	194	165
Finance & Resources	6,746	428	418
Dedicated School Grant & Schools Funding	296	0	0
Employee Lead Mutual	677	0	13
Total	51,616	606	655

2. Variance Analysis

Departmental Division	Variance £000s	Explanation & Action Plans
Family Services	435	The projected overspend is due to an increasing number of external looked after children placements which are high cost due to the complex nature of care needs. This includes a rising number of residential disabled children's placements. All Local Authorities are also experiencing increased numbers of 16-17 year old children being supported under the Southwark Judgement ruling. It is also expected that the number of children being remanded into care will exceed the funding allocation. These two factors are contributing to a placements overspend of £357k. There is currently a £78k overall pressure on staffing within Family Services.
Finance and Resources	428	The continued programme of Tri-borough projects requires additional dedicated project management support, some provision has been made for this work but there is an ongoing pressure of £70k; The department is not expecting to achieve MTFS targets set for 1) Interns – 94k, 2) Trade unions – 38k, 3) Working Patterns - £27k; Budget pressures exist due to costs of Mobile Phone & Filestore which the department are working to reduce this year - £155k. Executive support & Director's Office staffing is currently projected to

Departmental Division	Variance £000s	Explanation & Action Plans
		overspend by £50k due to additional support and project resource requirements
Children's Commissioning	194	£138K shortfall on cost of adult school meals. Current salary pressures in youth management and workforce development.
Tri-Borough Education Service	(451)	Net Underspend on salaries due to vacancies and reorganisations– (£237k); Special Education Needs Transport will underspend due to a reduction in the number of vehicles and better route planning - (£289k); Shortfall on School Buy backs due to schools now becoming academies and buying services elsewhere - £75k
Total	606	

UNACCOMPANIED ASYLUM SEEKING CHILDREN

1. Variance by Departmental Division

Departmental Division	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
Unaccompanied Asylum Seeking Children	1,521	0	0
Total	1,521	0	0

2. Variance Analysis

None to report.

ENVIRONMENT, LEISURE & RESIDENTS SERVICES

1. Variance by Departmental Division

Departmental Division	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
Cleaner, Greener & Cultural Services	21,441	(441)	(386)
Safer Neighbourhoods	9,466	408	344
Customer & Business Development	811	0	(1)
Director & Resources	136	9	3
Total	31,855	(24)	(40)

2. Variance Analysis

Departmental Division	Variance £000s	Explanation & Action Plans
Cleaner, Greener & Cultural Services	(441)	The forecast underspend for Waste Disposals has improved to (£530k) since last reported due to the sale of recyclates to third parties, backdated to April 2013. Western Riverside Waste Authority renegotiated a lower recycling charge with Cory, fixed for a rolling year only, that is giving rise to an underspend. Waste tonnages are extremely volatile and there is additional risk this year due to new recyclate contamination charges. Monthly contamination rates to date have been extremely volatile (fluctuating between 12% and 25%). Other smaller overspends (£89k) including unbudgeted head lessee premises costs for Fulham Palace and sponsorship income shortfalls.
Safer Neighbourhoods	408	The Transport service recovers its costs through income and is budgeted to generate a net surplus. There has been a significant reduction in the Council's fleet, and reduced demand for works and repairs, as services have been contracted out over the past few years. This has created a shortfall in recharged income. £90k market management savings are included in the forecast as being fully achieved. Agilisys have now concluded their work and identified circa £30k in full year savings. These factors combine to produce a forecast overspend of £177k for Transport Services.

Departmental Division	Variance £000s	Explanation & Action Plans
		<p>The CCTV budget was set on the expectation that the service would be a fully bi-borough 24/7 service from 2013/14, with service costs shared with RBKC. The bi-borough service review has now concluded and RBKC have opted for a 10/7 service. The service for LBHF remains a 24/7 service and so LBHF picks up a greater share of the costs than budgeted for resulting in a forecast overspend of £35k. An overspend of £70k is forecast due to pressure on MTFS target due to delayed go live on Hammersmith All Weather Pitch, as a result of extended consultation and planning considerations. Works will commence on site in October, ready for opening by April 2014. There are other smaller overspends totalling £29k including overspends in the Security service to be resolved as part of the new Total Facilities Management contract</p>
Customer & Business Development	0	
Director & Resources	9	
Total	(24)	

FINANCE AND CORPORATE SERVICES

1. Variance by Departmental Division

Departmental Division	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
H&F Direct	20,035	140	0
Innovation & Change Management	(231)	0	0
Legal Democratic Services	(1,809)	0	(80)
Third Sector, Strategy & Communications	3,157	40	40
Finance & Audit	(260)	(100)	(100)
Procurement & IT Strategy	(1,525)	140	140
Executive Services	(536)	0	0
Human Resources	(22)	(250)	(150)
Other	72	0	
Total	18,881	(30)	(150)

2. Variance Analysis

Departmental Division	Variance £000s	Explanation & Action Plans
Third Sector, Strategy & Communications	40	Potential shortfall on income generation targets.
Finance & Audit	(100)	There are some posts being held vacant prior to a reorganisation for the Managed Services outsourcing programme.
Human Resources	(250)	Underspend is due to some posts being held vacant pending future reorganisations for the Managed Services outsourcing programme.
Procurement & IT Strategy	140	The variance represents a cash savings slippage of £140k which is being offset by greater than expected benefits in the form of cost avoidance.
H&F Direct	140	The H&F Direct reorganisation will not achieve its full MTFS target in this financial year, largely due to slippage in its implementation date, but will over achieve its MTFS target from 2014/15.
Total	(30)	

HOUSING & REGENERATION DEPARTMENT

1. Variance by Departmental Division

Departmental Division	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
Housing Options, Skills & Economic Development	6,797	(314)	0
Housing Strategy & Regeneration	12	0	0
Housing Services	40	10	0
Finance & Resources	33	0	0
Total	6,882	(304)	0

2. Variance Analysis

Departmental Division	Variance £000s	Explanation & Action Plans
Housing Options, Skills & Economic Development	(314)	<p>This relates mainly to lower than expected void rates (2% against the budgeted void rate of 4%) on private sector leased (PSL) properties, partially offset by an increase in the cost of Bed & Breakfast (B&B) accommodation (although the average client numbers have reduced from a budgeted 270 to a forecast of 169, the cost of accommodating these clients has risen) producing a net variance of (£489k). Additionally, the impact of the overall benefit cap has resulted in a need to increase the bad debt provision on B&B (from a budgeted figure of 4% to a forecast of 7%) and on PSL (from a budgeted figure of 2% to a forecast of 4.5%), resulting in an adverse variance of £295k. In addition, favourable variances on staffing vacancies (£138k), and the Locata choice-based lettings subscription fee (£62k) are offset by lower than budgeted occupancy rates at the business development units at Townmead Road of 78% and on going difficulties in securing leases at the BBC units resulting in a combined projected under-recovery of income of £80k.</p>
Housing Services	10	
Total	(304)	

LIBRARY SERVICES (Tri-Borough)

1. Variance by Departmental Division

Departmental Division	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
Libraries Services (Tri-Borough)	3,096	0	0
Total	3,096	0	0

2. Variance Analysis

None to report

PUBLIC HEALTH SERVICES

1. Variance by Departmental Division

Departmental Division	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
Sexual Health	6,523	0	0
Substance Misuse	5,487	0	0
Behaviour Change	2,107	0	0
Intelligence and Social Determinants	0	0	0
Families and Children Services	1,978	0	0
Substance Misuse – Grant, Salaries and Overheads	(5,251)	0	0
Public Health – Grant, Salaries and Overheads	(10,532)	0	0
Total	312	0	0

2. Variance Analysis

None to report.

This service is a new responsibility for Local Government for 2013/14 and is being reported for the first time to Committee. Public Health is managed by Westminster City Council as a tri borough service and is largely funded from a ring fenced grant. Any underspends for this area would be transferred to ring-fenced reserves at year end and used to fund Public Health services in future years.

TRANSPORT AND TECHNICAL SERVICES

1. Variance by Departmental Division

Departmental Division	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
Building & Property Management	(2,122)	(51)	240
Transport & Highways	12,888	(51)	(212)
Planning	2,268	(37)	(10)
Environmental Health	3,073	(19)	42
Support Services	(156)	158	82
Total	15,951	0	142

2. Variance Analysis

Departmental Division	Variance £000s	Explanation & Action Plans
Building & Property Management	(51)	<p>There is a £64k adverse variance on Facilities Managementis mainly from underspends in Civic Cleaning, Carbon Allowances and Mail & Postage offset by overspends on EC Harris. EC Harris has never been able to meet its target (overspent by £199k in 12/13) as the level of work given to them has never been as high as was anticipated at the start of the contract.</p> <p>An adverse variance of £249k for the Architectural Services section relates to departmental overheads no longer rechargeable to the HRA after the transfer of Building Technical Services into the Housing Department. TTS is identifying savings elsewhere to address this problem and has made proposals about that in the 2014/15 MTFS</p> <p>The projected income in Advertising Hoardings has increased, resulting in a favourable variance of (£110k). Additional contributions to the favourable variance are (£158k) from Civic Accommodation and (£49k) from Technical Support. Budgetary changes related to TFM have led to an underspend of (£60k) in BPM Management and Works Contracts. Changes to Rent Receivable and non-rechargeable Property Disposal costs have led to an overspend of £13k in Valuation Services and Rent and Other Properties. This gives a total of £363k favourable variance in these areas.</p>

Departmental Division	Variance £000s	Explanation & Action Plans
Transport & Highways	(51)	The underspend is mainly from new projects, football traffic management, street lighting energy consumption and salaries.
Planning	(37)	The budgets for Planning Regeneration and Development Management have now been realigned to more closely reflect anticipated activity levels for the rest of the year. The Division is also looking into options for other sources of income.
Environmental Health	(19)	There are a number of minor underspends within the Service.
Support Services	158	The projected overspend is attributable to inadequate funding being provided to meet the finance restructure (world-class financial management). Additional pressures have resulted from in year movement of budgets from Support Services to Building Control and Environmental Health. The budget movements were required to realign unachievable income targets in those areas, for fees in Building Control, and licences in Environmental Health.
Total	0	

CONTROLLED PARKING ACCOUNTS (CPA)

1. Variance by Activity Area

Activity Area	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
Pay & Display	(12,599)	606	531
Permits	(4,690)	99	17
Civil Enforcement Officer (CEO) Issued Penalty Charge Notice (PCN)	(6,814)	(99)	(173)
Bus Lane PCN	(915)	379	281
Parking CCTV PCNs	(616)	(600)	(387)
Moving Traffic PCN's	(5,814)	(28)	(89)
Parking Bay Suspensions	(1,530)	(70)	104
Towaways / Removals	(352)	(36)	(27)
Expenditure and Other Income	12,534	(419)	(235)
Total	(20,796)	(168)	22

2. Variance Analysis

Activity Area	Variance £000s	Explanation & Action Plans
Pay & Display	606	There has been a reduction of 2% in receipts as compared to last year. In addition, the council will have to repay VAT on income received from two off street car parks for the past 4 years, at an estimated cost of £50k. This has been reflected in the forecast. The roll out of Smart Visitor Permits has resulted in an increase in receipts from these.
Permits	99	There has been an increase in the value of refunds in July and August, resulting in a forecast income that is lower than budgeted.
CEO Issued PCN	(99)	Issue numbers are in line with last year, which is reflected in a similar forecast outturn to the previous year.
Bus Lane PCN	379	The budget for Bus Lane PCNs was increased in 2012-13 to bring it in line with the activity. However, the activity level has fallen in the first 5 months of the current year, due to problems with one of the cameras used for enforcement, and roadworks requiring the bus lane to be used by traffic.
CCTV PCN	(600)	CCTV Parking PCN issue numbers have increased in the last 5 months, staying above the level on which the budget was based.

Activity Area	Variance £000s	Explanation & Action Plans
Moving Traffic PCN's	(28)	Moving traffic PCN issue numbers had been averaging above the forecast level upon which the budget was based for the first 4 months of the financial year. There was a reduction in issue numbers in August, leading to the reduced forecast since the last report.
Parking Bay Suspensions	(70)	The parking bay suspensions income budget was increased by £263k in 2013-14 to reflect expected receipts from the introduction of a graduated charging structure. HFBP subsequently advised that the parking suspensions IT system could not be adapted to introduce this change without being completely re-written at a total cost of around £100K. This was not thought to be economic and a longer-term bi-borough solution is now being sought. In the meantime, a work-around outside of the Parking Suspensions System has been developed that has enabled graduated charging to be introduced from 1 September 2013. 7 months of the additional receipts has therefore been forecast. The forecast has increased due to additional suspension activity in July and August.
Towaways	(36)	The monthly cost of the contract for towaways has reduced, resulting in an underspend against budget.
Expenditure and Other Income	(419)	There is an underspend in staffing, due to a number of vacant posts. There is an underspend in IT budgets.
Total	(168)	

CENTRALLY MANAGED BUDGETS

1. Variance by Departmental Division

Departmental Division	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
Corporate & Democratic Core	5,935	(50)	0
Housing and Council Tax Benefits	243	0	0
Levies	1,716	(163)	0
Net Cost of Borrowing	4,306	(1,000)	(1,000)
Other Corporate Items (Includes Contingencies, Insurance, Land Charges)	8,621	(600)	(550)
Pensions & Redundancy	10,471	0	0
Total	31,292	(1,813)	(1,550)

2. Variance Analysis

Departmental Division	Variance £000s	Explanation & Action Plans
Corporate & Democratic Core	(50)	This underspend is as a result of reduced Audit Fees.
Levies	(163)	Actual levy payments are forecast to be below budget by £163k. Base budgets will be reviewed as part of the Medium Term Financial Strategy Process.
Net Cost of Borrowing	(1,000)	The forecast underspend relates to additional investment income (from higher than expected cash balances) and lower borrowing. The Capital Financing Requirement is £13m lower than budgeted due to additional debt repayment in 2012/13.
Other Corporate Items	(600)	This underspend is mainly a result of Land Charge income higher than budget (£550k). This is due to better than expected activity. In addition the central budget held for maternity costs is forecast to underspend (£50k).
Total	(1,813)	

APPENDIX 2

HOUSING REVENUE ACCOUNT – PERIOD 4 OUTTURN FORECAST 2013/14

1. Variance by Departmental Division

Departmental Division	Revised Budget	Variance Quarter 2	Variance Month 4
	£000s	£000s	£000s
Finance and Resources	12,825	(27)	0
Housing Services	10,557	(27)	(211)
Commissioning and Quality Assurance	2,564	(30)	0
Property Services	2,587	0	0
Housing Repairs	14,147	0	0
Housing Income	(73,603)	127	127
Housing Options	632	(172)	0
Adult Social Care	48	0	0
Regeneration	264	67	0
Safer Neighbourhoods	575	0	0
Housing Capital	27,657	(78)	(78)
(Contribution to)/ Appropriation From HRA General Reserve	(1,747)	(140)	(162)

2. Variance Analysis

Departmental Division	Variance £000s	Explanation & Action Plans
Housing Income	127	The under-receipt is due to delays in letting of Advertising Hoardings on HRA sites. This work is being carried out on behalf of the department by the Valuers within TTS.
Housing Options	(172)	This relates mainly to a higher level of TOLS tenants than expected (155 tenants against a budget of 90) and lower than predicted furnishing costs, resulting in a net favourable variance of (£82k). In addition, staff costs are forecast to underspend by (£44K), there has been a reduction in the number of RTB valuations (£19k) and there are lower than expected void rates (6% against the budgeted void rate of 10%) on Hostels (£27K).
Other	(95)	
Total	(140)	