

Item No.	Classification: Open	Date: 23 March 2010	Meeting Name: Executive
Report title:		Revenue Monitoring 2009/10 – Quarter 3	
Ward(s) or groups affected:		All Wards	
From:		Finance Director	

RECOMMENDATIONS

1. The Executive notes the updated quarter three revenue monitoring report for the General Fund and Housing Revenue Account (HRA) as at 31 January 2010.
2. The Executive note that ongoing and unavoidable cost pressures have been addressed through the 2010/11 budget process.

BACKGROUND INFORMATION

3. The report provides detail on the position on the council's 2009/10 outturn forecast for the General Fund, HRA and Collection Fund based on the information available at the end of January 2010. Explanations for key variances are presented along with the action planned or being taken by managers to address these variances.
4. The report also identifies any key variances in the council's savings plans for 2009/10.

KEY ISSUES FOR CONSIDERATION

General Fund Overall Position

5. In total, the general fund faces net service pressures of some £0.8m over the base budget for 2009/10. This represents approximately 0.27% of the total net general fund budget. Further management action will continue with the objective to reduce this adverse variation by the end of the financial year.
6. The main area of pressure on costs of service is within Children's Services (£1.7m), this however is £0.2m lower than the position reported for quarter 2. This budget pressure consists of a number of underlying issues and is considered unavoidable in the circumstances. The reported variation comes after significant management action across service areas to minimise the financial impact of the various factors influencing expenditure.
7. This situation is largely due to a significant increase in costs with regard to specialist children's services. There has been an increase in the number of children requiring care and support and the cases continue to become more complex. These pressures are emerging at the same time as additional rigour and scrutiny is being applied by external regulation and inspection regimes, particularly with regard to safeguarding.
8. The impact of all of these changes has a collective consequence of driving up cost within the social care system. This is a situation compounded by the need to retain and recruit high quality staff. These issues are being experienced on a national scale, not least within London.
9. In line with expected project based activity across the council, there are a number of expected calls on earmarked reserves in 2009/10, in particular in relation to the modernisation and regeneration and development programmes. In total, these commitments are currently forecast

at approximately £3.7m. They include support to enable the delivery of a number of critical efficiency targets such as the delivery of shared services. They also include calls in relation to the regeneration and development agendas, including support for the Bermondsey Spa, Elephant and Castle, Canada Water and Aylesbury projects.

10. Table 1 below shows the current forecast outturn position for quarter 3 by service.

Table 1: Estimated projection of General Fund outturn position for 2009/10 as at Quarter 3 (M10)

General Fund	Full Year Budget £'000	Full Year Forecast £'000	Variance + / Under spend (-) £'000
Children's Services	99,348	101,096	1,748
Health and Community Services	100,823	101,375	552
Environment and Housing	75,678	76,112	434
Regeneration and Neighbourhoods	27,156	27,119	(37)
Major Projects	4,446	4,446	0
Deputy Chief Executive	47,225	47,249	24
Communities, Law & Governance	13,758	13,558	(200)
Financial Management and IS	35,210	35,210	0
Strategic and Corporate	(58,797)	(60,543)	(1,746)
Total General Fund before appropriations	344,847	345,622	775
Appropriations to/(from) reserves	(3,677)	(3,677)	0
General Fund Total	341,170	341,945	775
Area based grant	(26,018)	(26,018)	0
Net total	315,152	315,927	775
Schools Budget	1,115	658	(457)
Appropriation to/(from) DSG reserves	(1,115)	(658)	457
Total	315,152	315,927	775

11. As part of the same General Fund budget approval, the council agreed an ambitious programme of savings and efficiencies in excess of £17.3m for 2009/10. The current position reflects the expected delivery of these targets. Currently there is a potential shortfall of some £0.7m projected for the year. However management actions continue with the objective of meeting the target by the end of the year as closely as possible and meeting the target in full for 2010/11. This is explored in more detail in paragraphs 32 to 36 below.

Key General Fund pressures

Children's Services

12. The main adverse budget variances relate to increases in spend in Specialist Children's Services and continuing increases in costs of the council's Home to School contract for the transport of pupils with SEN (Special Education Needs).
13. Specialist Children's Services has experienced significant increases in the number of high cost placements for looked after children over the last 18 months. In 2008/09, related costs were offset by a one-off 'windfall' of asylum seekers grant totalling some £1m. The department is currently projecting an adverse variance of some £1.2m on these placements during 2009/10. Further increases in costs of some £0.7m are projected on disability placements, direct payments and accommodation costs relating to families with no recourse to public funds.

14. The Assessment & Safeguarding unit is also experiencing considerable pressure as the volume of cases requiring assessment increases as a result of the Baby Peter case. In order to ensure proper management of the increased caseload in Children's Services, it has been necessary to take on additional staff on a short-term basis. Additionally, in order to retain and invest in existing staff, the service will be awarding market factor honoraria. A major recruitment campaign has also commenced to attract new permanent staff. Similar recruitment problems and attendant budget pressures have been experienced nationally across all Children's Services Departments, and impacted particularly in London.
15. Contingency budgets of £852k have been released to Children's Services in recognition of the increased costs relating to Specialist Guardianship Orders and to Mother & Baby placements. Demand for provision in the latter area, however, continues to rise.
16. Whilst an adverse variance is also still projected in respect of Home to School Transport, a number of measures to control the increasing costs were introduced from September following a review by KPMG in order to prevent costs escalating further.
17. At the same time, rigorous management action is being taken across the rest of Children's Services to identify opportunities for delaying or curtailing activities and recruitment in order to minimise the overall projected adverse variance for the department as a whole.
18. Through such action it has been possible to reduce the projected overall adverse variance for the department by some £200,000 since the quarter 2 position was reported to Executive. This means that it will now be possible to contain all budget pressures apart from those identified in Specialist Children's Services.

Health and Community Services

19. Health and Community services are forecasting an adverse variance of £552k at 31st January 2010 for 2009/10. This is an improvement of £200k on that reported to Executive at quarter 2.
20. The main reason for the movement is ongoing management action to reduce the adverse variance towards a balanced budget position by year end. Management action consists of an extensive programme of efficiencies and savings in progress
21. The budget shortfall mainly relates to a small increase in the numbers of learning disabilities and physical disabilities clients and reflects the high cost of caring for people with disabilities and fewer people than anticipated leaving services through the eligibility process.

Environment and Housing

22. Environment and Housing are projecting an adverse variance of £434k as at 31 January 2010. This is a reduction of £100k from that reported for quarter 2. The reduction is largely as a result of an increase in the one off underspend on waste management and management action.
23. The spend pressures centre around the continued costs of the leisure and culture units exceeding budgeted levels including project management costs for leisure management, and reduced income particularly within the public realm division.
24. However these pressures have been mitigated by a one-off underspend within the waste management contract due to a reduction in waste tonnage and performance deductions on the unitary charge by some £480k. It is anticipated that the management action currently being undertaken will reduce this overall variance further.

Strategic & Corporate

25. There is a £1.7m favourable variance projected for strategic and corporate budgets. This is a £400k reduction on what had been reported at quarter 2. The council has faced increased costs due to recent severe weather conditions. It may be possible to mitigate these costs with a special grant from London councils and work is ongoing to progress this, however until this is finalised the costs are being held against the corporate budgets. There are £2.1m of favourable variances, including £1m due to the clawback of salary budgets following the pay award announcement and £1.1m of additional resources as a result of a number of 'windfall' elements including a one off increase in external receipts (e.g. rental income) and reductions in external payments (e.g. deferral of some of the increase in the LPFA Levy). Interest rates have failed to increase and pressures therefore remain on the council's targets for earnings on cash investments.
26. This favourable variance will be utilised to help meet the unavoidable spend pressures within the current budget. Ongoing pressures will be addressed through the business and budget setting process for 2010/11.

Housing Revenue Account (HRA) Overall Position

27. The headline outturn position shows improvement of £1m between Q2 and Q3. This comprises a rebalancing of revenue support to the Investment Programme in line with movements in leaseholder major works billing and cost reductions across a range of operational budgets within Housing Management.
28. Management action continues to stabilise the position, through the implementation of consistent and robust procedures across responsive repairs, heating repairs and electrical and mechanical engineering services and enhanced inspection and QS scrutiny. A review of legal and other support costs is also currently underway, which will contribute to improved delivery and lower costs in the medium-term.
29. However, notwithstanding the progress made to date, there remains significant spending pressure across all services, together with other specific and exceptional factors that have a disproportionate effect on the budget this year. Table 2 below shows that the HRA is currently forecast to be £3.7m above the mainstream base budget.

Table 2: Estimated projection of HRA outturn position for 2009/10 as at quarter 3

	Full Year Budget	Full Year Forecast	Over + / Under (-) spend
	£'000	£'000	£'000
Housing Revenue Account	0	3,732	3,732
Appropriation to / (from) HRA reserves	0	(3,732)	(3,732)
Total	0	0	0

30. There are a number of pressures including higher than anticipated repairs and maintenance costs and a variance from the planned works programme, with a consequent reduction in the value of works billed to leaseholders this year. In 2008/09, the HRA was broadly neutral at year-end, but achieved this largely through an income windfall, there is no prospect of that being repeated in 2009/10. Any shortfall will be a first call against HRA reserves, which have seen a marked decline in recent years and continue to be under severe pressure.

31. There are other major cost pressures which are of an exceptional nature and are being accounted for separately from the mainstream HRA. Heygate re-housing and early activity on Aylesbury, generate significant additional costs for which base budget funding is limited. In addition, the council is currently in the process of addressing the impact of the incidents at Lakanal and Sumner Road specifically and the wider implications in terms of the extensive fire safety works programme arising from it. Costs falling to the council after insured losses will be met through a combination of HRA revenue, earmarked reserves and Housing investment programme resources.

Savings and Efficiencies - 2009/10 budget - Quarter 3

32. For the General Fund and HRA combined, the council targeted savings and efficiencies of more than £29m in 2009/10. These savings are monitored closely throughout the year as their delivery is important to the achievement of the council's business plan and to support the delivery of critical services to residents and businesses. A summary of the current position is shown in Table 3 below.

Table 3: Savings and Efficiencies as at Quarter 3

	Original Target Savings £'000	Forecast agreed savings £'000	Substituted Savings £'000	Total Forecast Savings £'000	Variance £'000
Children's Services	(4,086)	(3,936)	0	(3,936)	150
Health and Community Services	(4,211)	(1,844)	(1,800)	(3,644)	567
Environment and Housing	(1,204)	(1,204)	0	(1,204)	0
Regeneration and Neighbourhoods	(1,030)	(1,030)	0	(1,030)	0
Major Projects	(178)	(178)	0	(178)	0
Finance and Resources	(1,460)	(1,460)	0	(1,460)	0
Deputy Chief Executive	(2,285)	(1,994)	(291)	(2,285)	0
Communities, Law and Governance	(788)	(788)	0	(788)	0
Corporate	(4,111)	(4,111)	0	(4,111)	0
Total General Fund savings	(19,353)	(16,545)	(2,091)	(18,636)	717
HRA	(9,674)	(8,828)	0	(8,828)	846
Total Savings 2009/10	(29,027)	(25,373)	(2,091)	(27,464)	1,563

33. In Children's services, Baby Peter case and the subsequent Laming review have placed severe pressure on budgets in the children looked after (CLA) service. The planned saving of £150k is not now feasible. Work is continuing to identify the likely level of projected overspend on CLA.

34. In Health & Community Services, there are several variances which have resulted in the adverse variance of £567k. These are:

- Policy and Service Reviews; where planned savings of £2.5m were based on a full year savings from raising the eligibility threshold from Moderate to Substantial. Savings of £1.642m have not been achieved because the savings projected by assuming that clients listed as of moderate needs would no longer receive a service, have not all materialised in the initial review. Alternative savings are being sought and a second, more robust, review is taking place.
- Homecare Savings from retendering block contracts; where savings of £600k will not be achieved in 2009/10. Legal technicalities highlighted by the corporate legal team have led to unforeseen delays in the retendering exercise. Interim extensions have been put in place

that will achieve some savings, but the main exercise now will not be conducted until 2010. Alternative savings are being sought within the department, aimed at minimising the impact of adverse movements.

- Council-wide review of benefits advisory services; where savings of £125k will not be achieved in 2009/10. This is a corporate co-ordinated exercise and a review is being undertaken that will deliver some of the corporate target. Savings are being pursued in other areas with Older People budgets, e.g. agency staffing and other non-care budgets.

35. An additional saving of £1.8m has been made as a result of a series of management savings around non-care costs.

36. Of the original £2.3m planned savings in DCE, an adverse variance of £291k is projected. There are two main reasons for this variance which are as follows;

- Contract efficiency savings of £181k are not expected to be achieved due to the termination of the Liberata contract from April 2011.
- Efficiency savings related to service improvement associated with Housing Benefit overpayments were expected to be £150k. However, the levels of overpayment recovered have not increased as much as anticipated during the year, and as such the saving is now expected to be £40k.

However to offset this adverse variance, substitute savings have been found within revenues and benefits

37. In HRA, there are several variances leading to the adverse variance of £846k. These are:

- Agreed savings on legal fees; where the target of £100,000 is not expected to be met due to demand-led activity running above budget target, and this has meant the anticipated reduction in volumes has not materialised.
- Agreed savings resulting from recruitment drag; where the agreed target of £1,147k will have a shortfall of £613k due to the need for additional capacity and expertise within Estate Property Management to support key operational functions, e.g. major works, repairs and dealing with the effects of the tragic Lakanal fire.
- Agreed savings on parking income; where the agreed target of £240k will not be fully realised as activity is below the target on which the base budget assumptions were predicated, resulting in an adverse variance of £60k.
- Agreed savings on commercial rents; forecast has been reduced by £73k based on last year's actuals, rents in charge for this year, and potential voids due to the current economic climate.

Contingency

38. As reported in quarter 2, £852k has been released from contingency to children's services.

Collection Fund

39. As a billing authority, the council is required to maintain a collection fund account, which shows the transactions of the billing authority in relation to non-domestic rates and council tax, and demonstrates the way in which these have been distributed to preceptors and the general fund. The council must also take into account the estimated surplus or deficit on the Collection Fund balance when setting its council tax for the following year. At quarter 3, the council is

forecasting a surplus of £1.6m as at 31 March 2010, of which £1.2m is attributable to the council and £0.4m to the GLA.

40. The surplus is due mainly to higher than expected council tax billing in 2009/10, principally as a result of new developments being completed in the borough, and a reduction in discounts following a review of entitlements at the end of 2008/09.

Reserves

41. The council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are maintained so as to finance calls for expenditure for items that are difficult to predict and that are not included in revenue budgets or within the capital programme. They relate especially to invest to save opportunities that form part of the modernisation agenda and investment in regeneration and development where spend may be subject to unpredictable market and other influences.
42. The allocations to revenue budgets are reflected in Tables 1 and 2 and are subject to approval arrangements.

Table 4: Summary of reserve movements as at Quarter 3 (M10)

	Opening balance	Change in reserves	Release of reserve for capital	Forecast closing balance
Reserve	£'000	£'000	£'000	£'000
General fund earmarked	(67,530)	3,677		(63,853)
DSG reserve	(4,082)	658	2,212	(1,212)
HRA earmarked	(18,176)	3,732		(14,444)
General Fund balances	(18,271)			(18,271)
Total	(108,059)	8,067	2,212	(97,780)

43. The change in earmarked reserves includes estimated future changes. The projected planned calls on general fund earmarked reserves include £2.0m for the modernisation and improvement programme, which includes £0.5m contribution for the Southwark Circle project from the financial risk reserve. £1.1m for regeneration projects Bermondsey Spa and Canada Water, Aylesbury and or Southwark Schools for the Future. In addition £0.85m in relation to the costs of transition to in-house provision of the revenues and benefits service.

Community Impact Statement

44. This report monitors expenditure on council services, compared to the planned budget agreed in February 2009. Although this monitoring report has been judged to have no or a very small impact on local people and communities, future decisions to manage predicted adverse variances may require detailed consideration of the impact on local people and communities as appropriate including consultation where required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Revenue Monitoring 2009-10	160 Tooley Street	Vernon Smith 020 7525 7355

APPENDICES

Appendix	Title
A	Detailed explanation of key forecast outturn variances from budget as at Quarter 3
B	Additional risks that may impact on the forecast outturn
C	General Fund and HRA 2009/10 year-end position as at quarter 2

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Jennifer Seeley, Deputy Finance Director	
Version	Final	
Dated	11 March 2010	
Key Decision?	Yes	Date on Forward Plan
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law and Governance	No	No
Finance Director	Yes	Yes
Executive Member	Yes	Yes
Date final report sent to Constitutional/Community Council/Scrutiny Team	11 March 2010	

Detailed explanation of key forecast outturn variances from budget as at quarter 3

Service and Division	Explanation
Children's services	
5-11 Services Budget £ 11,071k Forecast £ 11,818k Variance £ 747k	<p>This projected adverse variance relates to continuing increased costs on the council's Home to Schools contract for the transport of pupils with SEN. The number of pupils transported is up by 22 to 408 but more significantly, there has been an increase in the number of rounds from 93 last year to 110 this year (additional 17 rounds). In advance of the retendering of the contract for the provision of this service from August 2011, consultancy support has been sought from KPMG to identify options for achieving shorter term savings within the existing contractual arrangements. As a result, a number of immediate measures to reduce costs were introduced from September. These include the use of the corporate taxi contract (rather than the Home To School contract) to transport pupils who do not need to be escorted and to negotiate a lower contract specification with regard to the age of vehicles and the provision of named drivers.</p>
Other Children's services budgets Budget £ 38,572k Forecast £ 37,664k Variance (£ 908k)	<p>In order to contain the projected overspend on Home to School Transport, strong management action has been taken to reduce costs across all other non-frontline Education budgets. It has been possible to identify increased savings in the 0-5 service and from implementation of the new structure for integrated youth support. Further reductions in expenditure are being achieved through reduced use of agency cover and through the review of recruitment plans across the service. Strict expenditure controls have now been put in place for the remainder of the financial year and options continue to be explored to examine any flexibility to utilise specific grant to support core funded activities.</p>

Detailed explanation of key forecast outturn variances from budget as at quarter 3

Service and Division	Explanation
<p>Specialist Children’s Services Budget £ 49,705k Forecast £ 51,614k Variance £ 1,909k</p>	<p>The service has experienced significant increases in the number of high cost placements for looked after children over the last 18 months. The additional costs arising from these placements during 2008-9, were offset by a one-off ‘windfall’ of asylum seekers grant totalling some £1m. We are currently projecting a total adverse variance of some £1.2m on these CLA placements during 2009/10. This includes increased costs of some £560k relating to an increase of 6.2 (or 21%) in high cost residential placements and £365k in respect of an increase of 10.5 (or 36%) in semi-independent placements.</p> <p>Further increases in costs of some £0.7m are projected on disability placements, direct payments and accommodation costs relating to families with no recourse to public funds.</p> <p>Management action has been taken throughout the year to seek to offset these spending pressures and reductions in costs totalling some £0.7M have already been built in to the projections. These have been achieved by more efficiently combining funding streams to commission services more effectively and by reducing agency staff and delaying recruitment in non-safeguarding areas. It is still anticipated that further such savings will be achievable in the remaining 2 months of the financial year.</p>

Detailed explanation of key forecast outturn variances from budget as at quarter 3

Health and Community Services	
<p>Summary</p> <p>Budget £ 100, 323k Forecast £ 101, 875k Variance £ 552k</p>	<p>Adult Social Care is forecasting an adverse variance of £552k at 31st January 2010 for 2009/10. This is an improvement on quarter 2 when the projected overspend was £752k. The main reason for the movement is ongoing management action to reduce the adverse variance to a balanced budget position by year end. Management action consists of an extensive programme of efficiencies and savings in progress amounting to approximately £4m, which reflects the budget shortfall caused mainly by fewer than expected clients leaving the service as a result of the eligibility review, plus emerging pressure on the LD and PD budgets, increased client numbers and the high cost of providing care for those clients.</p>
<p>Budget £ 23, 476k Forecast £ 24, 593k Variance £ 1,116k</p>	<p>Learning Disabilities</p> <p>There are continuing pressures in Residential Care placement costs. This reflects increased client numbers and the high cost of providing care for those clients.</p>
<p>Budget £ 24,872k Forecast £ 26,163k Variance £ 1,291k</p>	<p>Older People services and Intermediate Care Team</p> <p>Considerable efforts are underway to achieve efficiencies and savings to compensate for fewer than expected clients leaving the service as a result of the eligibility review</p>
<p>Budget £3,346k Forecast £2,678k Variance (£ 668k)</p>	<p>Central Finance</p> <p>Staff savings and budgets frozen to offset adverse variances.</p>

Detailed explanation of key forecast outturn variances from budget as at quarter 3

<p>Budget £48,628 Forecast £47,441 Variance (£ 1,187)</p>	<p>Other HCS budgets and variance</p> <p>There are a number of other budget variances that include:</p> <p>Savings in Staffing and higher than budgeted efficiencies to third parties within supporting people.</p> <p>Over achievement of income targets through improved debt recovery processes.</p> <p>Planned shortfall in the spend relating to Learning Disabilities Non Pool Budgets.</p> <p>Other savings from management action including non care spend.</p>
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Detailed explanation of key forecast outturn variances from budget as at quarter 3

Environment and Housing	
<p>Summary</p> <p>Budget £75,678k Forecast £76,112k Variance £ 434k</p>	<p>Departmental budget pressures centre around the continued costs of the leisure and culture units exceeding budgeted levels, income run rate being below budgeted levels and residual costs of units proposed for closure or reorganisation to meet savings target.</p> <p>On the plus side there is one off underspend within the waste management contract which reduces the departmental pressure overall to £434k. It is anticipated that the management action currently being undertaken will reduce this variance further.</p>
<p>Public Realm</p> <p>Budget £10,568k Forecast £10,837k Variance £ 269k</p>	<p>The main adverse variance is in the Parks Business Unit and is due to projected shortfall in income within Cemeteries from failure to be able to increase fees and charges. As a result of a zero based budgeting exercise carried out to explore opportunities for reducing costs and increasing income, the previously reported adverse variance has decreased. There are also budget pressures in South Dock Marina due to a decrease in expected income of about £69k. There is a substantial risk that Parking income will underachieve by as much as £300k this year- this is not yet reflected in the figures as Parking income is notoriously difficult to predict. As soon as there is more certainty on the outcome, a figure will be included. The economic downturn and better compliance are possible reasons.</p>
<p>Community Safety</p> <p>Budget £14,163k Forecast £14,263k Variance £ 100k</p>	<p>The anticipated adverse variance of £100k reflects unbudgeted staff costs due to delays in implementing the revised structures within the division. It is anticipated that the recruitment freeze for the rest of the year and detailed review of the staffing structure will reduce the adverse variance for the division.</p>
<p>Waste Management and Transport</p> <p>Budget £27,926k Forecast £27,446k Variance (£ 480k)</p>	<p>The division is currently projecting a one off underspend of £480k mainly due to reduction in waste tonnage and performance deductions on the unitary charge on Waste PFI contract.</p>

Detailed explanation of key forecast outturn variances from budget as at quarter 3

<p>Culture, Libraries, Leisure and Learning</p> <p>Budget £12,757k Forecast £13,301k Variance £ 544k</p>	<p>Libraries are projecting an adverse variance of £80k, of which £40k is due to underachievement of income targets (Current IT network inadequate to cope with workload) and relocation of the Local History Library. Additional unplanned expenditure of £40k was incurred as a result of a break in in John Harvard Library. A strict moratorium on revenue spending has been in place within Libraries since 2007/08. A capital bid has been submitted as part of Capital Refresh to modernise IT systems, including network, in libraries.</p> <p>Leisure adverse variance mainly relates to the continued costs of the leisure investment programme with regard to the external consultancy costs (£222k) and additional costs due to delay in the start of the new Fusion contract (£145k) This is offset by savings of around £33k on facilities management and marketing to give a net adverse variance of £334k. The new agreement with Fusion was signed on 30th October 2009.</p> <p>Culture: Events is projecting an adverse variance of £90k from increased security and health & safety requirements on larger events and change of venue for fireworks. Other budget pressures include £46k (net) incurred for Cuming Museum & Collections Management for additional, storage and archiving costs as well as potential reduction in income (£24k) from the Film Service. The Head of Service is exploring ways of mitigating this by some tighter budgeting elsewhere in the division and as a result has reduced the total overspend by £30k compared to previous forecast.</p> <p>The Divisional Overheads is expected to generate a savings of (£30k) by delaying some of the non essential costs.</p>
<p>Major Projects</p>	
<p>Summary</p> <p>Budget £4,446k Forecast £ 4,446k Variance £ 0k</p>	<p>No variance from budget is projected.</p> <p>Note that budgets for 2009/10 are still under review in light of major reorganisation and consequent structural changes. Any additional budgetary requirement funded from regeneration reserves is subject to agreement and approval by the Finance Director.</p>

Detailed explanation of key forecast outturn variances from budget as at quarter 3

Deputy Chief Executive	
<p>Summary</p> <p>Budget £ 47,225k Forecast £ 47,249k Variance £ 24k</p>	<p>The adverse variance of £24k is within Client Services and has reduced significantly from previous months following a review of expenditure by the head of the service, which has resulted in a lower forecast for the level of expenditure on agency staff. In addition, new figures provided by Vangent show a lower volume of CSC calls and One Stop Shop visits than was previously forecast, and this has also contributed to the reduction in adverse variance.</p>
Communities, Law & Governance	
<p>Summary</p> <p>Budget £13,758k Forecast £13,558k Variance (£ 200k)</p>	<p>There is a forecast underspend of £200k for the department. The reorganisations of legal support services and community engagement have been well managed and the prudent cost and savings estimates are both likely to show positive variances at year end.</p>
Finance and resources	
<p>Summary</p> <p>Budget £35,210k Forecast £35,210k Variance £ 0k</p>	<p>Although there are expected to be variances between certain areas, FMS is projected to be on budget for the year. Overspends on consultants and redundancy costs are offset by savings on external audit and salaries.</p>
HRA	
<p>Summary</p> <p>Net Budget £0 Forecast £3,732k Variance £3,732k</p> <p>Reserves funding year end (£3,732k) Variance after reserves £0</p>	<p>Headline position shows c. £3.7m variance against budget at month 10, which represents an improvement over the position reported previously. There remains significant spending pressure in the system in relation to the day to day management and maintenance of the housing stock, together with other specific and extraordinary factors that have a disproportionate effect on the budget this year.</p> <p>Any shortfall will be a first call against HRA reserves, which have seen a marked decline in recent years and continue to be under severe pressure.</p>

Detailed explanation of key forecast outturn variances from budget as at quarter 3

<p>Strategic Services (HRA)</p> <p>Budget £105,298k Forecast £102,169k Variance (£ 3,129k)</p>	<p>This activity comprises all central overheads and non-operational functions within the HRA, specifically housing subsidy, debt charges and financing, CERA and central support charges and other shared service functions provided to the HRA.</p> <p>Interest receivable on cash balances is forecast to be c. £0.6m lower than budgeted. With LIBOR rates looking set to stay at a historically low average of around 0.5% for the year and balances brought forward (including the MRA Reserve) lower than expected due to the funding requirement for 2008/09 capital expenditure, the shortfall is acute in 2009/10 and has been factored into budget planning assumptions for 2010/11.</p> <p>The reduction in leaseholder major works billing referred to below is partially offset by a reduction in the contribution to the investment programme as this moves in proportion to the value of billing, currently estimated at £2.9m. This saving (£3.6m) needs to be considered alongside the negative income variance reported by HOU below, giving rise to an adverse impact of £1.9m net.</p> <p>However, this is likely to be further mitigated through the accounting treatment for major works income billed in previous years, but not recognised in the accounts until the current year (as required by the Audit Commission). It is not possible to accurately quantify the figure until year-end, but in the interim, a provisional estimate of £1m has been factored in.</p>
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Detailed explanation of key forecast outturn variances from budget as at quarter 3

HRA (continued)	
<p>Environment & Housing (HRA) - Home Ownership Unit</p> <p>Budget (£30,556k) Forecast (£25,893k) Variance £ 4,663k</p>	<p>Headline position is distorted by virtue of the reduction in capital works billing referred to below, but the underlying position is an underspend comprising employees, running costs and Leaseholder Fund of circa £0.1m.</p> <p>Revenue Service Charges - £16.3m (net) has been billed at month 10 against a full year budget of £16.4m. Income collection performance shows £13.8m has been collected against a target of £15m. At this stage both collection and billing remain on target.</p> <p>Capital Service Charges – Net billing of £4.4m is assumed at month 10 against a full year budget of £10m, but this remains subject to further fluctuation as account adjustments continue to be processed over the remainder of the year. The extent of this year’s variance from budget occurs as programmed works assumed for budget planning purposes have been subject to alteration, postponement and cancellation. Notwithstanding the scale of the variation, it is substantially mitigated by a reduction in the level of revenue support to the Investment Programme of £3.6m, which is directly linked to the value of capital billing, thereby softening the effect on the I&E (net £1.9m). In terms of income collection, £6.5m (including Major Works loans) has been collected against a target of £8m. It should be recognised that this represents solid performance (for both revenue and capital) against very challenging targets given the current economic conditions.</p> <p>Commercial Property – Net billing of £4.9m at month 10 and indications are that billing may undershoot the full year budget of £6.5m, as market activity is generally weaker than expected. Collection performance shows £4.2m has been collected to date, with a full year outturn estimated at £5.7m.</p>

Detailed explanation of key forecast outturn variances from budget as at quarter 3

<p>Environment and Housing (HRA) - Housing Management</p> <p>Budget (£92,074k) Forecast (£88,625k) Variance £ 2,449k</p>	<p>The forecast at month 10 has been revised following further review and analysis and comprises:</p> <ul style="list-style-type: none"> • Employee Costs +£1.045m. Arises within Estate Property Management where there is a continuing need for additional capacity and expertise to support key operational functions. To be addressed through changes in the organisational structure during 2010. • Consultant Services +£642k. Provision of external validation of the stock condition survey and undertaking additional specialist work to enhance the SCS. Implementation of a dedicated Fire Risk Assessment (FRA) management team. • R&M Contract +£564m. High volumes/ values of reactive repairs, greater than the budget can realistically sustain. Management actions introduced to control expenditure have stabilised the position to some extent, but greater impetus is required to bring this back on track. As we move towards 2010/11, existing expenditure levels cannot be sustained and it is crucial that volumes and unit costs are controlled more effectively to ensure this service is managed within the resource base. • Other R&M +£697k. Increased expenditure on dry-risers, lightning protection and the installation of fire signage. These works have been prioritised and condensed into a shorter timeframe than originally planned. • Compensation, Legal & Professional Fees +£688k. Cost of legal services within Area Management - an action plan is in place to reduce expenditure, through more robust management controls on disbursement & estimating the cost of actions prior to commencement. However, the effects of this are yet to impact on spend forecasts. • Area Estate Costs +£220k. The cost of electricity in communal areas is running ahead of budget. A project is underway to map all meters to ensure accurate and timely readings and improve operational and financial control, in conjunction with the council's energy team. • Heating Contract -£547k. Savings generated through the new contract remain above those originally expected. • Works Contracts -£793k. Implementation of tighter expenditure controls and improved contract management are delivering savings against a number of works contracts, i.e. door entry, estate lighting, etc.
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Detailed explanation of key forecast outturn variances from budget as at quarter 3

<p>Other Environment and Housing services</p> <p>Budget £14,245k Forecast £14,413k Variance £ 168k</p>	<p>In addition to the mainstream HRA, there are other major cost pressures which are of an exceptional nature and therefore being accounted for outside the revenue monitor at this point. Re-housing of Heygate residents as part of the regeneration programme, together with early activity on Aylesbury has major cost implications for which mainstream funding is limited. In addition, costs specific to the Lakanal House fire and associated safety works across the stock are now gearing up. It is too early to accurately quantify the potential revenue impact, nor investment needs, as the full ramifications remain uncertain. Landlord costs falling to the council after insured losses will be met through a combination of HRA revenue, earmarked reserves and Housing Investment Programme resources.</p>
<p>Other HRA services/budgets</p> <p>Budget £3,087k Forecast £2,668k Variance (£ 419k)</p>	
<p>HRA Reserves</p> <p>Outturn Variance -£3.732m</p>	<p>The ring-fenced nature of the HRA allows balances to be carried forward year on year to meet budget variations, which can either be negative or positive, giving rise to fluctuations in the level of reserves. In the event that these cost pressures cannot be fully mitigated during 2009/10, this will represent a first call on reserves. This is currently estimated at c. £3.7m to meet the revenue deficit, but could be higher dependant on the extent of project expenditure to be funded.</p> <p>HRA reserves stood at £18.2m at 31.3.09, of which circa half was committed for specific purposes, the remainder being held against various financial risks. With the myriad of calls on these funds during this financial year, it is expected that uncommitted reserves will fall to between 1 and 2 percent of gross HRA turnover (£2.7m - £5.3m), which given the size of Southwark’s HRA is not sustainable and represents an increasing risk moving forward.</p>

Additional risks that may impact on the forecast outturn

Service	Division	Additional risk identified
Health and Community Services	All	<p>The following assumptions have been used in preparing this statement:</p> <p>The programme of management action is targeted with achieving a balanced budget at year end. This is under constant review by SMT and the Modernisation Board. The forecast only includes savings that are deemed to be realistic and achievable.</p>
Environment and Housing	Leisure Management (High risk)	<p>Although Surrey Docks and Dulwich leisure centres are included in the current refurbishment programme, there is a risk of further loss on income claims during closure and unforeseen expenditure as a result of planning requirements. There is also uncertainty about the level of unscheduled R&M costs that will be incurred for maintaining remaining leisure centres which are included in the wider regeneration programme where decisions have not yet been made. As part of the Capital Refresh project, bids have been submitted for refurbishing Seven Islands and Elephant & Castle centres.</p>
	Public Realm (Parking) (High risk)	<p>Although we are currently still projecting the Parking income to be on budget, the latest run rate shows that the risk is quite high and that the target income for the year will not be achieved. Our assessment of the situation is that Parking income could underachieve by as much as £300k (worst case scenario). The economic downturn and better compliance are possible reasons.</p>

Additional risks that may impact on the forecast outturn

Service	Division	Additional risk identified
	Public Realm (Street Markets) (Medium risk)	As a result of a delay in implementing increased fees and charges proposed for Street Markets, and actions taken to strengthen the management of the unit, the planned reduction of deficit brought forward from previous years will not be implemented in time. The cumulative deficit of £523k at the start of the year in this ring fenced account will become a call on the General Fund if adequate actions are not taken to clear the deficit. The Head of Service is working on a number of measures to compile a formal 3 year recovery plan to reduce the deficit and put the accounts on a better footing.
Regeneration and Neighbourhoods	Property services	There is a risk of delayed disposals and increased voids due to current market conditions.
	Community Housing Services	Volatile Homelessness numbers; Bed and breakfast unavailability and increased rates; Potential cost over-runs due to delays in handing over properties to previous Landlords; Final redundancy costs could exceed current projections.
Communities, Law and Governance	Legal Services	There are no significant risks currently faced by the department.

Additional risks that may impact on the forecast outturn

Service	Division	Additional risk identified
<p>Deputy Chief Executive</p>	<p>All divisions</p>	<p>Client Services includes the Revenues and Benefits service. The outturn on the benefits paid and related subsidy received depends upon factors which can only be determined at the year end. In previous years this has resulted in a large credit on these accounts. Although there is no reason to expect a change to this pattern in 2009/2010, it cannot be guaranteed.</p> <p>An inquest is to be held by the Southwark Coroner's Service into the deaths caused by the fire that occurred in Lakanal House on 3 July 2009. It is not known when the inquest will begin or how long it will last, but it is thought that it may not begin until 2011. The cost of the inquest is likely to be substantial and it is not yet known how it will be funded, and there may be some preliminary costs associated with it in the current financial year.</p> <p>There are a number of shared services reviews either in progress or scheduled which will impact significantly on the DCE. If the full savings built into these reviews are not achieved this would have an adverse effect on the department's variance.</p>
<p>Finance & resources</p>	<p>All divisions</p>	<p>The finance shared service review is ongoing and involves significant changes to the way the service is delivered.</p> <p>There is a risk around the use of further consultancy services</p>

Estimated projection of General Fund outturn position for 2009/10 as at quarter 2

General Fund	Full Year Budget £'000	Full Year Forecast £'000	Over (+) Under (-) spend £'000
Children's Services	98,560	100,508	1,948
Health and Community Services	101,110	101,862	752
Environment and Housing	75,463	75,998	535
Regeneration and Neighbourhoods	39,369	39,492	123
Major Projects	6,600	6,600	0
Deputy Chief Executive	48,079	48,134	55
Communities, Law & Governance	14,083	14,083	0
Financial Management and IS	22,462	22,470	8
Strategic and Corporate	(60,008)	(62,154)	(2,146)
Total General Fund before appropriations	345,718	346,993	1,275
Appropriations to/(from) reserves	(5,404)	(5,404)	0
General Fund Total	340,314	341,589	1,275
Area based grant	(25,162)	(25,162)	0
Net total	315,152	316,427	1,275
Schools Budget	1,115	920	(195)
Appropriation to/(from) DSG reserves	(1,115)	(920)	195
Total	315,152	316,427	1,275

Estimated projection of HRA outturn position for 2009/10 as at quarter 2

	Full Year Budget £'000	Full Year Forecast £'000	Over (+) Under (-) spend £'000
Housing Revenue Account	0	4,759	4,759
Appropriation to/(from) HRA reserves	0	(4,759)	(4,759)
Total	0	0	0