

SECTION 4

4. THE PROBABLE OUTTURN 2008/09

Introduction

- 4.1 This section of the report summarises the 2007/08 outturn and provides detailed information on forecast spending in 2008/09.
- 4.2 At the end of quarter three the forecast position is for a net overspend on service area budgets of £1.189m and a forecast underspend on central items and area based grants of £1.440m, resulting in an overall surplus position of £251k. This is an improvement of £2.244m on quarter 2 where the forecast net overspend was £1.993m. The main reasons for this are an improvement of £1.570m in central budgets primarily the remuneration strategy budget. In addition the deficit on service area budgets has been reduced by £527k principally due to the Children and Families being brought back into a breakeven position and a £386k reduction in the overspend on Environment and Culture. There are some underlying issues that are causing pressure on budgets across the council, principally as a result of the state of the economy. These include the impact of higher inflation levels on costs - the Consumer Price Index (CPI) peaked at 5.2% in September but has subsequently fallen to 3.1% in December. The effect of the economic downturn on income is particularly significant for those areas linked to the housing market such as land searches. The result is that, on the basis of forecasts at the end of Quarter 3, general balances at 31st March 2009 would be £8.013m, £513k more than the budgeted balances of £7.5m. An additional £500k will be used as a contribution from balances in the 2009/10 budget. (See Section 5)

The 2007/08 Final Position

- 4.3 The 2008/09 budget report forecast General Fund balances at 31st March 2008 of £8.605m, £1.105m higher than the level set in the original 2007/08 budget. Following completion of the audit of the accounts at the end of September 2008, General Fund balances were confirmed as £9.055m at 31st March 2008, representing a further net betterment of £450k.

The 2008/09 Budget Forecasts

- 4.4 The council set a General Fund revenue budget of £255.972m for 2008/09 including a planned contribution of £1.105m from balances. Estimated balances at 31st March 2008 were set at £7.5m. This was based on the forecast balances brought forward at 31st March 2008 of £9.055m less the 2008 estimated use of balances during the year of £1.105m. At the July Executive Members agreed that £188k of monies were needed to fund outstanding commitments on Neighbourhood Working and that they should be met from balances thus increasing the planned contribution from balances to £1.293m.

4.5 Table 4.1 below summarises the forecasted outturn which is set out in more detail in Appendix A. The net underspend is now forecast at £251k which will reduce the contribution from balances to £1.042m.

4.6 **Table 4.1 2008/09 Forecast Outturn**

	Latest Position (Over)/Under Spend	
	£'000	£'000
Service Areas		
Children and Families	0	
Environment and Culture	(435)	
Housing and Community Care	(629)	
Finance and Corporate Resources / Central Units	(125)	
		(1,189)
Central Items		1,440
Net Underspend		251

4.7 The following paragraphs provide detailed explanations of the variances.

4.7.1 **Children and Families**

The major risk areas to the budget are the cost of children's placements for children in care and costs associated with children with disabilities. The number of children in care was 368 in December 2008 (compared with a peak of 426 in 2006) though slightly higher than the September 2008 figure of 363. Measures are in place through the 'invest to save' programme to bring this down further. The difficulties with securing in-house foster carers have begun to ease with the start of 12 new foster carers in October and this is reflected in the increase in in-house fostering over the last three months. However, increases in the number of referrals and assessments are continuing which is feeding into the number of children in care. In the case of children with disabilities, the main pressures are from increased numbers of direct payments and increasingly complex support packages. The forecast overspend has reduced from £300k in the second quarter to breakeven. Children and Families have been able to use one-off monies, including £600k received for the 2006/07 and 2007/08 unaccompanied asylum seeking children special circumstances grant, to help achieve this breakeven position and maintaining that will depend primarily on continuing the success of the 'invest to save' programme.

4.7.2 **Environment and Culture**

The most significant issues in Environment and Culture are the impact of the collapse in the housing market on land search income, reduced income from parking from the summer of 2008, increased inflation on contract costs, the effect of energy cost increases and the additional costs associated with compulsory recycling. These pressures saw the overspend rise in quarter 2 to £821k but have improved by £386k to £435k in quarter 3. The department

has put in place measures to reduce the impact of cost increases. Budget targets were reviewed and reset in October and again have been reviewed in January. These measures have been successful in reducing costs in a number of areas. However, emerging problems resulting from a projected downturn of £500k in income from the parking account have negated the full impact of the improvements. It is now assumed that the current deficit is unlikely to be significantly reduced before year end. At present planning and building control income seem to be holding up reasonably well but there must be risks of a reduction in income in these areas as economic conditions worsen.

4.7.3 Housing and Community Care

This remains the most significant risk area for the council. Overall the forecast overspend of £629k has remained stable during the year.

Generally there have been increases in the costs of nursing care and to a lesser extent residential care and this is particularly true for physical disabilities which is reflected in its overspend of £422k. There remain significant pressures on the budget as a result of inflationary increases in the cost of home care and residential placements. Also the achievement of spending in line with budget depends on the delivery of savings from the adult social care transformation programme. There are issues over the pace of change of the programme particularly around the delivery of self-direct support and direct payments where some areas have performed better than others. The income budgets are currently performing better than expected but historically there have always been underlying pressures on these budgets and this is being monitored closely. Given the statutory responsibilities and the demand led nature of the service, the level of short term action that can be taken to reduce spending is relatively limited without affecting the quality of the service and so the current level of overspend is not expected to change significantly from around £600k. In the medium term, however, more comprehensive action is being taken to restructure the department and procure services in better ways. There continues to be very proactive monitoring of activity and spend on adult social care at both departmental and corporate levels to ensure there is no deterioration in the financial position.

4.7.4 Finance and Corporate Resources/Central Units

The forecast has remained almost unchanged since the second quarter with an overspend of £125k. Although the issues over assumed increases in summons income have now been resolved there still remains a shortfall as there was a nine month delay in implementation.

4.7.5 Central Items

The forecast net budget shortfall on service budgets of £1.189m is offset by a forecast net surplus on central items of £1.440m. The net surplus on central

items is made up of various underspending and overspending items as follows:

Table 4.2 Central Item Savings

	£'000
Remuneration Strategy	2,052
South Kilburn development	370
Premature retirement compensation	(130)
Efficiency Programme	(370)
Income Generation	(582)
Area Based Grants	100
Total	1,440

4.8 Remuneration Strategy

A report to General Purposes Committee on 12th January 2009 set out the lack of progress on negotiations to implement a single status agreement proposed by the council in February 2008. As a result the Committee agreed to withdraw the offer and to seek to implement revised grades for a number of ex-manual workers, backdated to April 2007, in line with that part of the original offer. In addition the council obtained a capitalisation direction from DCLG to spread the cost of payments in 2008/09 over a number of years by charging them to capital rather than revenue in the current year. Provision for the consequential capital financing charges from 2009/10 has been made in future years. The impact of the above is to produce an underspending of £2.052m against an original budget of £2.5m.

4.9 South Kilburn development

Work on the regeneration of South Kilburn is continuing. The Council has had to reconsider the Master Plan delivery mechanism in light of the impact of the downturn in the economic climate and deteriorating housing market and this resulted in slippage in the programme. Out of the budget of £570k for 2008/09 it is expected that between £150-200k of this will be spent meeting the delivery vehicle negotiations process and associated costs and also to meet additional legal costs, independent advice for residents and other consultant fees.

4.10 Premature retirement compensation

This is the ongoing revenue cost of pensions caused by premature retirements that fall on the General Fund. The £130k forecast overspend is primarily the result of additional charges for pensioners within the London Pension Funds Authority scheme.

4.11 Efficiency Programme

Section 17 of Appendix F details the savings made under the Programme to date and the difficulties in capturing savings from some projects which often accrue directly to services. This has adversely impacted on achieving the target in 2008/09.

4.12 Income Generation

Section 18 of Appendix F details the delays in various projects which led to the failure to meet this target and how this will be achieved in 2009/10.

4.13 Capital Financing Charges/Net Interest Receipts

An underspending on £1.996m is estimated to be achieved in 2008/09. This is due primarily to interest receipts received being far higher than anticipated. Other factors include lower borrowing rates, slippage in the capital programme and improved cash flow. It is proposed that this underspending is put into an earmarked reserve and used in 2009/10 to smooth the fluctuations within the current market (see also Section 5). This will see a significant fall in interest receipts in comparison to this financial year.

General Fund Balances Carried Forward

4.14 The estimated position on balances carried forward is set out in Table 4.3 below.

Table 4.3 Estimated Balances Carried Forward 31st March 2009

	£'000	£'000
Budgeted balances at 31 st March 2008	8,605	
Betterment in 2007/08 final outturn	450	
Balances at 31 st March 2008		9,055
Forecast overspend on service area budgets	(1,189)	
Forecast under-spend on central items	1,440	
Budgeted Contribution from balances	(1,293)	
Net Contribution from balances		(1,042)
Estimated Balances C/Fwd		8,013