

LONDON BOROUGH OF BRENT
EXECUTIVE MEETING - 21ST JULY 2003
REPORT FROM THE DIRECTOR OF FINANCE

FOR ACTION

ALL WARDS

THE 2002/2003 PROVISIONAL REVENUE OUTTURN

1. SUMMARY

- 1.1 This report sets out the provisional revenue outturn for 2002/2003. It shows a slight improvement of the position to that assumed when the budget was set of £172k.
- 1.2 These figures remain provisional and are subject to further verification and audit.

2. RECOMMENDATIONS

- 2.1 Note the provisional outturn.
- 2.2 Agree that any underspendings will be added to balances and no carry forwards will be agreed, unless in specific earmarked reserves, apart from £73k for Voluntary Sector Grants already agreed by Full Council.

3. FINANCIAL IMPLICATIONS

- 3.1 There is an improvement of £172k in the provisional outturn compared with that forecast when the 2003/2004 budget was set. This increases balances carried forward at 1st April 2003 to £1,191k.

4. STAFFING IMPLICATIONS

- 4.1 There are no direct staffing implications arising from the report but the level of budgets available may well ultimately have staffing consequences.

5. DETAIL

5.1 2002/2003 PROVISIONAL OUTTURN

- 5.1.1 The provisional outturn for 2002/2003 is set out in summary in Appendix A. There are 3 main columns of financial information:
 - (i) The Forecast Outturn presented to the Budget Setting Council meeting on 3rd March. (Column 1)
 - (ii) The Provisional Outturn. (Column 2)
 - (iii) The Variance between columns two and three above. (Column 3)

- 5.1.2 The audit of the 2002/2003 accounts is not scheduled to begin formally until September and will not be completed until November. The figures also are currently being reviewed by Brent Financial Services and are therefore subject to amendment from these two factors. A particularly significant variance could emerge from grant claims.
- 5.1.3 Appendix A shows that there has been a net decrease in expenditure of £172k compared with that forecast to the Council Meeting on 3rd March. This is after taking account of items where additional provision was made in the 2003/2004 budget relating to Preserved Rights and the Insurance Fund for 2002/2003. This has led to a corresponding increase in balances carried forward into 2003/2004. These now amount to £1,191k. A breakdown of the significant variances are set out in the next section of the report.

5.2 MAIN FEATURES OF 2002/2003 OUTTURN

5.2.1 Service Area Budgets

The main changes from the latest forecast budget are as follows:

(i) Corporate Units and Local Taxation

An overall worsening of the position was primarily related to the Housing Benefit Deficit. This accounted for most of the £160k variance. This was for two main factors. Firstly overpayment recovery did not improve to the rate expected and secondly the acquisition and management of housing units from Registered Social Landlords, to transfer families from more expensive Bed and Breakfast accommodation, increased the total payable from this budget. However, this was more than matched by compensating savings from the Housing budgets compared with that forecast.

(ii) Education, Arts and Libraries (EAL)

The final position was £313k better than the latest forecast. This related primarily to the Council's proportion of non-delegated Standards Fund schemes, the majority of which (£210k) was a prior year adjustment and the balance were delayed in starting.

(iii) Environment

The variation relates to the Parking Control Account where income was £192k lower than anticipated when the budget was set. This was offset by £45k improvements across a range of other budgets.

(iv) Housing

The favourable variance of £442k related primarily to the continuing fall of families in Bed and Breakfast in the last quarter of the year. This was aided by investment provided from the grant from the Bed and Breakfast Task Force for this purpose.

(v) Social Services

A number of reports have been presented during 2002/2003 setting out the pressures the Social Services budget has faced. This led to a projected overspending, compared with the original budget agreed at the beginning of the financial year in the budget report of £5m. This projection excluded preserved rights, whereby the financial responsibility for clients in residential care prior to 1993 were transferred to the Council, for which a separate provision was made in 2003/2004.

The final position for the whole committee saw an additional variance of £237k. This reflected the continuing rise of statutory demands on the service that had to be met.

5.2.2 Central Items

Most budgets were at or close to the previous forecast. There is less volatility involved for central items as figures are finalised earlier in the financial year. The Asylum Seekers Grant claim has yet to be completed and the budget figure has been included. This is unlikely to be exceeded. As anticipated the 2002/2003 contribution to the Insurance Fund is not sufficient to meet all potential liabilities but in setting the 2003/2004 budget sufficient resources were included to ensure a balanced position at 31st March 2004.

5.3 TREATMENT OF UNDER/OVERSPENDINGS

5.3.1 It is the Council's policy, included in the Financial Regulations that at the time accounts are closed each year an examination of the potential for allowing some part of any underspends to be released to service areas. The extent that it is possible will depend on the overall financial position, including the pressure on capital resources. Similarly any overspending may have to be repaid to balances.

5.3.2 A number of factors must be considered:

- (i) Given only a minor improvement of the outturn position there is a need to protect balances at least at the levels currently assumed.
- (ii) Experience of the pressures in 2002/2003 and those emerging for the 2003/2004 budget, particularly in respect of Social Services, and the need to retain balances for other unforeseen events.

- (iii) The budget position in future years for both revenue and capital and the need to retain reserves to meet new demands.

5.3.3 It is officers' strong recommendation no underspending be carried forward and no decisions are taken in respect of the clawback of overspends until the outturn is finalised when the final accounts are published in September and a firmer position is established.

5.3.4 The one item excluded from the above advice is where Full Council have already made a decision to allow £73k of the Voluntary Sector Grants underspend to be utilised for grants in 2003/2004.

6. POSITION OF BALANCES

6.1 GENERAL

6.1.1 Based on the recommendation in Section 5.3 the position of General Fund balances is as follows:

| | £'000 |
|--|---------------------|
| Balances available (per Appendix A) at 31 st March 2003 | 1,191 |
| Less Voluntary Sector Grants C/Fwd | (73) |
| Total Usable Balances | <u>1,118</u> |

6.2 SCHOOLS BALANCES

The balances available to schools is as follows:

| | £'000 |
|-----------------------------|-------------------|
| 31 st March 2002 | 3,153 |
| 31 st March 2003 | 2,737 |
| | <u>416</u> |

There has thus been a reduction of £416k over the course of the financial year (13%).

7. CONCLUSIONS

7.1 All figures remain provisional. The 2002/2003 Statement of Accounts, prior to audit, will be presented to the General Purposes Committee in September.

8. BACKGROUND INFORMATION

Report 2003/2004 Budget and Council Tax and Minutes of the Council Meeting on 3rd March 2003.

Any person wishing to inspect these documents should contact Committee Services, Room 106, Brent Town Hall, Forty Lane, Wembley, Middlesex HA9 9HD. Tel. 020 8937 1353.

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APPENDIX A ON EXCEL SPREADSHEET