

SECTION 4

4. THE PROBABLE OUTTURN 2004/2005

Introduction

- 4.1 Members will be aware from the regular reports to the Executive that the 2004/2005 revenue budget has been closely monitored and various adjustments made during the financial year.
- 4.2 Environmental Services and Social Services are both forecasting small overspends, although action is being taken to bring these under control, and there are pressures on specific Education, Arts and Libraries budgets. The other service areas are expected to either underspend or remain within their agreed budget.

The 2003/2004 Final Position

- 4.3 It was reported to the Executive on 13th December 2004 that following the external audit of the 2003/2004 accounts the council's General Fund balances carried forward into 2004/2005 were now £4.695m.

The 2004/2005 Budget

- 4.4 The council set a General Fund revenue budget of £347.415m for 2004/2005 including a planned contribution of £2.09m to balances. This assumed balances of around £4m at 31st March 2005. A number of adjustments have been made during the financial year that have increased the contribution to balances to £2.225m with estimated overall balances standing at £6.92m.

Estimated Position 2004/2005

- 4.5 The last report on the revenue budget went to Executive on 13th December based on the position at the end of October. Each service area has subsequently prepared an updated report detailing its position to the end of December. The forecasted outturn is set out in Appendix A. The table below summarises this position and compares it to that previously reported. It shows the position has improved with a potential net underspending of £145k.

Table 4.1 2004/2005 Forecast Outturn

	Previous Position		Latest Position	
	Over/(Under) Spend £000	£000	£000	£000
Service Areas				
Corporate Units	(91)		(62)	
Education, Arts and Libraries	0		0	
Environment	296		370	
Housing	0		0	
Social Services	0		61	
		205		369
Central Items		(146)		(514)
Total Variance		59		(145)

Corporate Units

- 4.6 The Corporate Units are forecast to show a small surplus of £62k. The main area of uncertainty is the Housing Benefit Deficit which because of the scale of activity can fluctuate significantly.

Housing Benefit Deficit

New subsidy regulations were introduced from 1st April 2004 regarding local authority overpayments. Previously, no subsidy was received on such overpayments, but from April 2004 the Government has set a threshold below which there will be no subsidy penalties. In 2004/2005 if such overpayments are below 0.48% of total benefit expenditure there is no subsidy loss. If the figure is between 0.48% and 0.54%, there is a 60% subsidy penalty on all of these overpayments, and above 0.54% there is a 100% subsidy penalty on all overpayments. The effect of breaching the 0.54% threshold would be at least £600,000 (depending on the total of these overpayments). In previous years, Brent was below the 0.48%, so would have suffered no subsidy loss, but in 2003/2004 the figure was above the 0.54%, (partly due to clearing out previous backlogs) and the full subsidy loss would have been incurred.

The position is being monitored closely and we are approaching the threshold of 0.48%, and this remains an area of high risk and will only be finalised once the final subsidy claim has been audited in December 2005. No allowance has been made for any loss in the forecast.

Education, Arts and Libraries

- 4.7 Education Arts and Libraries is projecting a breakeven position. There are a few areas where small overspends are expected. The placement at the College Of North West London of around 40 unplaced Year 11 pupils is likely to lead to an additional cost of £40k. A similar overspend is expected for the Gordon Brown Centre. These overspends will be offset by underspending in other areas within Education, Arts and Libraries.

Environmental Services

4.8 The Environment budget is very complex with a large number of different services and pressures. The net forecast overspend for Environment is £370k which includes the following areas of overspending:

(a) Willesden Sports Centre PFI

The delay in signing the agreement has meant that the legal and other professional advice will exceed the budget by more than £50k.

(b) Parking Control Account

A large number of parking meters have been systematically vandalised during the year leading to a shortfall of meter income and a reduction in the number of PCN's issued when meters were taken out of action. Additionally extra cost has been incurred replacing meters and improving security.

The forecast overspend has worsened to £1.068m from £959k reported to the December Executive.

However various measures being taken to reduce the problem include:

- Getting manufacturers to improve security, alarm system, reinforcing vault doors, etc.
- Getting the control room to monitor meters on CCTV at night.
- Considering mobile-CCTV monitoring.
- Strengthening the base with deeper installations.
- Organising a daily collection of cash from more productive meters.
- Organising the purchase of pre-paid parking vouchers from appropriate retail outlets agreed at the Executive on 17th January 2005.

The net income from the Parking Control Account is used to fund a number of highways and street scene improvements and Environment now plan to reduce expenditure by £300k on major schemes to help offset this overspend. In addition savings on staff vacancies and additional income of £314k within Building Control, Environmental Health and Planning are contributing towards reducing the overall deficit within Environmental Services.

Social Services

4.9 At the Executive on 13th December Members agreed to an additional £374k for Older People's Services to further reduce waiting lists and waiting times.

The service area still has budget pressures in a number of areas which are being covered by underspendings in other areas leaving a forecast overspend

of £61k (allowing for the use of the budgeted contingency and some capitalisation).

The most significant areas of overspend are:

- (a) £541k arises following the review of clients jointly funded by Brent PCT and Social Services. These reviews identified that all of the care needs of these clients was for social care and the agreement with the PCT means that the full cost will fall on the Council.
- (b) £437k occurs in services for people who are physically disabled. Of this, £204k relates to costs previously borne by the PCT with the balance being due to higher levels of placements.

Management action is being taken to bring spending down and ensure that the contingency is available to deal with unbudgeted activity that may arise later in the year.

Central Items

4.10 Other Variances

(a) Advertising and Sponsorship

There is an overall budget of £119k for income derived from advertising and sponsorship. It had been anticipated that a significant proportion of this would be derived from advertising on lampposts. However, a number of planning applications to install such adverts have been submitted and refused. Although further applications may be submitted the council's full share of the income will not be forthcoming.

(b) Leasing Income

Brent operates a system of internal leasing where items are funded from the capital programme which would otherwise have been financed from an operating lease. Service areas and units are then charged an annual rental based upon market rates over the life of asset and this budget is the revenue resulting from the internal leasing costs. Estimates for 2004/2005 assumed a decline in leasing income but additional leasing of computer equipment in 2003/2004 in Social Services and the telephone network have resulted in a substantial increase in income for 2004/2005 up to £447k over an original estimate of £250k.

(c) Remuneration Strategy

A budget of £1m was established in 2003/2004 which was utilised primarily to help the retention and recruitment of skilled staff across a range of professions and disciplines, such as social workers and surveyors. A further budget of £1.4m was agreed for 2004/2005 to meet a range of significant challenges in its approach to pay for its staff. It also made provision for the possible implementation of single

status. The demands for additional monies to cover these issues have not been at the same level as 2003/2004 and only a further £129k has been allocated this financial year. This has led to a significant underspending on the budget.

(d) Insurance Fund

Appendix F (paragraph 13.5) describes the operation of the Fund and the pressures it is under.

The Council has operated the Fund to ensure that there were sufficient resources to meet any payment due in the year and achieve a small surplus each year to meet unexpected activity. However, within the 2003/2004 Audit and Inspection Letter, PwC has stated that under Financial Reporting Standard 12 there is a requirement to provide for all liabilities as they are incurred and are recommending that Brent should provide for insurance claims based on the assessment of outstanding claims at the year end. If the council does not move to meet this accounting requirement it is likely that the Statement of Accounts will be qualified in 2004/2005. This is the position we would not wish to be in given the impact on financial standing and CPA rating. It is therefore proposed that a further contribution of £1m is made over and above the £1.8m budgeted for.

(e) Capital Financing

The impact of debt restructuring (see Section 10) and slippage in the capital programme has generated savings in 2004/2005 of £490k.

(f) Children Act and Consequential Structural Changes

There are two reports on the Executive Agenda on 14th February addressing implementation of the Children Act and other changes which follow within the organisation. These set out a number of changes which will require one-off funding for office moves, IT etc. A maximum of £400k is proposed. This will be utilised in both 2004/2005 and 2005/2006 and any unused sum will be returned to balances.

General Fund Balances Carried Forward

4.11 The overall position on available balances carried forward into 2005/2006 is estimated to be:

Table 4.2 Balances Carried Forward 31st March 2005

	£m
Balances per Appendix A	6.920
Plus Increase in Balances	145
Estimated Balances C/Fwd	<u>7.065</u>

- 4.12 It is essential that appropriate measures continue to be taken by service areas to seek to keep within their budgets during the rest of the financial year and not jeopardise the 2005/2006 budget. It is proposed, in accordance with the policy in the Medium Term Financial Strategy, that service areas whose actual spend at 31st March 2005 is in excess of their estimated outturn set out in this report will produce plans by July 2005 on how they intend to replace those balances utilised to fund this overspend. This is subject to confirmation by the Executive when the provisional outturn is reported.

Summary of the 2004/2005 Probable Outturn

- 4.13 The forecast spend leaves £7.065m of General Fund balances estimated to carry forward into 2005/2006.