

## LONDON BOROUGH OF BRENT

### MEETING OF THE EXECUTIVE - 12<sup>TH</sup> NOVEMBER 2003

#### REPORT FROM THE DIRECTOR OF FINANCE

FP REF . BFS/59/03

#### 2003/2004 REVENUE BUDGET

#### 1. SUMMARY

- 1.1 This report updates Members on the latest position of the 2003/2004 Revenue Budget. This is the third in this financial year and is an update on the budget position report to the Executive on 21<sup>st</sup> July. It highlights a number of budget issues and risks which either require a decision at this meeting or will need to be monitored closely.

#### 2. RECOMMENDATIONS

That the Executive:

- 2.1 Note the latest budget per Appendix A.
- 2.2 Agree the virements as set out in Appendix B.
- 2.3 Agree the increase in balances of £109k arising from the improvement in Parking Control.
- 2.4 Agree one off increases in 2003/04 budgets of £82k and £50k for Education and Housing respectively from their 2002/2003 underspendings, currently held in balances, to meet the savings allocated for agency staff.
- 2.5 Re-iterate the instruction to officers that budgets must be contained within overall Service Area cash limits.

#### 3. FINANCIAL IMPLICATIONS

- 3.1 The report sets out a number of pressures on the Revenue Budget 2003/2004 and hence the possible impact on the level of balances available.

#### 4. STAFFING IMPLICATIONS

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

#### 5. LEGAL IMPLICATIONS

- 5.1 The Executive has power to agree virements which are covered by the Virements Scheme in Part 6 of the Constitution provided it has received advice from the Director of Finance that after the virement reserves remain at prudent levels and no unfunded expenditure commitments arise in future

years. The Director of Finance confirms this is the case for the virements in Appendix B.

## **6. REVENUE BUDGET 2003/2004**

6.1 Appendix A sets out the latest 2003/2004 revenue budget after the decisions by the Executive on 21<sup>st</sup> July as well as the latest full year forecast for 2003/2004.

### **6.2 Virements and transfers**

6.2.1 Full Council on 3<sup>rd</sup> March 2003 approved an amended scheme of Transfers and Virements which allows the Executive to agree the virements in Appendix B. Members are therefore asked to agree the following virements and transfers.

#### **6.2.2 Agency Staff**

At the Executive Meeting on 21<sup>st</sup> July Members agreed agency staff savings of £729k across Service Areas. However, it was recognised in the report that Service Areas may not be able to meet their targets by a direct reduction in agency staff expenditure. So Service Areas were asked to report to Brent Financial Services on their progress in making these savings or any alternative proposals they had to meet the savings.

Housing have asked that consideration is given to funding its £50k of agency staff savings in 2003/2004 from its 2002/2003 underspend of £1.437m. Housing have reviewed this area and are unable to identify savings relating to use of agency staff in 2003/2004. It has also proved difficult to identify alternative savings as Housing are already dealing with a £150k reduction in the budget on Temporary Accommodation and the need to cover inflation on the Advice Centre contracts.

Education have also requested that its agency savings of £82k are funded from its 2002/2003 underspend of £466k given the pressures on its budget detailed in section 6.3.1 (ii).

#### **6.2.3 Parking Control**

At the Full Council meeting on 3<sup>rd</sup> March 2003 Members agreed to fund a growth bid of £300k to cover a projected deficit on the Parking Control account in 2003/2004. The deficit is now expected to be £191k an improvement of £109k for which approval is sought to return to balances.

#### **6.2.4 HRA Recharges**

Members agreed a budget for 2003/2004 to reflect the relative additional proportion of costs falling on the General Fund as a result of the continuing reduction in the number of properties with the HRA. Given the progress by Brent Housing Partnership in establishing Service Level Agreements with the Service Area Units we are now in a position to distribute £150k of these monies to the Corporate Units and Housing.

## 6.3 Service Area Issues

6.3.1 During the course of any financial year a number of factors emerge which put pressure on the resources allocated and require Service Areas to manage their budgets to ensure the overall total is not exceeded. A number of these risks were highlighted in the revenue report to the Executive on 21<sup>st</sup> July. The majority of these risks remain and the following paragraphs give an update of where the situation has changed or new pressures have emerged:

(i) Corporate

(a) Members' Pension Rights

Elected Members are now eligible to join the Local Government Pension Scheme subject to local criteria yet to be agreed for Brent. A report is expected to go to Full Council shortly setting out a range of options that could potentially cost up to £30k in employers' contributions for 2003/2004.

(ii) Education, Arts and Libraries

(a) Criminal Records Bureau

The fee for carrying checks on teachers levied by the Criminal Records Bureau has increased from £12 to £29. This will cost the Authority an additional £35k in 2003/2004. There are also similar costs faced by Social Services.

(b) Home to School Transport

Home to School Transport is currently forecast to overspend by £350k. The position has worsened by £166k since it was last reported to the Executive on 21<sup>st</sup> July. Since the start of the new school year in September there have been 14 new routes all provided by taxis and represent children who cannot be placed on coaches or paired. This has further increased the volume of demand for the service and has exacerbated the existing factors exerting pressure on this budget:

(i) A legal judgement requiring authorities in some circumstances to pay the transport costs for an out-borough placement despite in-borough provision being available.

(ii) An increase from 19 to 25 in the age up to which the Council is responsible for transporting SEN pupils to further education.

(c) Brent Education Tuition Service

This service provides home tuition, hospital education and some specialist learning support assistance for pupils with special educational needs. There has been a rise in the number of referrals from 67 in January 2002 to 90 in May 2003 coupled with an increase in the average time pupils are remaining on tuition. There is a potential overspending of around £140k forecast, an increase of £40k from the figure previously reported, which is being partially addressed by attempting to increase the number of group sessions rather than tuition on a one to one basis. This is also beneficial for the pupils.

(iii) Environmental Services

(a) Refuse Contract Indexation

Price indexation for 2003/4 equates to £405K (7.2%) as the contract price is increased by the Civil Engineering Index. This is high as it includes an allowance for rises in construction workers pay. The budget only provides for 2% inflation i.e. £115K plus a further £160K for indexation in excess of RPI. This leaves a shortfall of £130K.

(b) Citizenship Ceremonies

The Nationality, Immigration and Asylum Act 2002 will require applicants for naturalisation or registration as a British Citizen to attend a Citizenship Ceremony. Implementation of this provision has slipped to January 2004 and there will be a net shortfall in income of £27k for 2003/2004 only.

A significant proportion of these costs have been offset by savings on the parking control account.

(iv) Housing

Supporting People

The financial position associated with Supporting People has improved considerably since the start of the financial year. Following an exercise to supply information to ODPM of all those clients in receipt of Transitional Housing Benefit at 31<sup>st</sup> March 2003 the financial risks of losing Supporting People Grant Funding from any clients excluded by the deadline date of 31<sup>st</sup> July have lessened. In addition the risks of losing grant funding from fairer charging assessments have also reduced.

(v) Social Services

Service Issues

Social Services are currently forecasting a breakeven position for 2003/2004. It still needs to be borne in mind that although substantial growth has been allocated to Social Services the nature of the service is such that there is huge service and cost volatility. The services is most at budgetary risk from increasing client numbers, residential costs rising above inflation and recruitment problems leading to higher agency staff costs. The improvements in timeliness and accuracy of information mean that Managers become aware of problems earlier but costs may not be containable particularly in the short term.

(vi) Other Issues

(a) West London Waste Authority

Each year Brent pays charges to the West London Waste Authority (WLWA) in addition to the levy. The formula for calculating this charge has not been updated for two years to reflect an allowance for household numbers.

The Council's legal advice is that the formula should be updated for 2003/2004 which would result in savings of £224k an increase of £37k on £187k reported to the Executive on 21<sup>st</sup> July. The first quarter's bill has been paid but not in full and based on the revised estimate.

If agreement can be reached between Brent and WLWA that is in accord with our legal advice there will be savings in the current financial year.

(b) Claims by Third Parties

The Council is involved in a number of cases where claims have been made and although these are being resisted there is a risk that an award may be made or settlement reached which requires funding.

(c) Advertising and Sponsorship Income

The agreed budget assumed £119k could be raised primarily from income derived from lamppost advertising. A report went to the Executive on 28<sup>th</sup> May agreeing negotiations with a preferred contractor. A number of difficult issues still need to be resolved before any income is received and the budget will certainly not be achieved in the current financial year. Although, this shortfall in budget is expected to be partly offset by savings in other central items.

## 7. OVERALL POSITION AND LEVEL OF BALANCES

- 7.1 At the General Purposes Committee on 4<sup>th</sup> September Members agreed the Authority's statement of accounts. However, this remains subject to audit and there is the potential for balances to change.
- 7.2 Appendix A shows an overspend of £638k between the Authority's full year forecast and its latest budget for 2003/2004 with the main overspend of £574k arising in Education. The table below sets out the latest position with the Council's balances.

	£'000	£'000
Balances Carried Forward from 2002/2003 (including prior year adjustments)	1,076	
Budgeted Contribution to Balances	<u>3,125</u>	4,201
Adjustments:		
Parking Control	109	
Carry Forward of 2002/2003 balances (Education and Housing)	(132)	
Forecast deficit 2003/2004	<u>(638)</u>	
<b>Current Forecast Balances</b>		<u><u>3,540</u></u>

## 8. CONCLUSION

- 8.1 The overall position for 2003/2004 remains difficult and will need to be monitored closely. All service areas need to put in place measures to ensure that they remain within budget. Additional pressures on Education have only recently emerged with the start of the new school year in September. Savings will need to be identified from within Education if it is not to overspend for 2003/2004.

## 9. BACKGROUND INFORMATION

1. Council Meeting, 3<sup>rd</sup> March 2003, Budget Report.
2. Executive Meeting, 21<sup>st</sup> July 2003, 2003/2004 Revenue Budget.
3. Budget Working Papers.

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

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