

	<p style="text-align: center;"><b>Executive Committee</b> Monday 14<sup>th</sup> November 2005</p> <p style="text-align: center;"><b>Report from the Director of Finance and Corporate Resources</b></p>
For Action	Wards Affected: ALL
<p style="text-align: center;"><b>Report Title: REVENUE BUDGET 2005/2006 MONITORING REPORT</b></p>	

Forward Plan Ref: F&CR/05/06-11

## 1. SUMMARY

- 1.1 This report sets out the latest position on the 2005/2006 Revenue Budget which was agreed by Full Council on 28<sup>th</sup> February 2005.
- 1.2 It also seeks approval for a number of virements and other budget transfers.

## 2. RECOMMENDATIONS

- 2.1 Note the latest budget in Appendix A.
- 2.2 Note the latest forecast in Appendix B.
- 2.3 Agree the virements in Appendix C.
- 2.4 Note the current position on General Fund Balances in 2005/2006 in Section 3.4.

## 3. DETAIL

### 3.1 2005/2006 BUDGET UPDATE

#### 3.1.1 Forecast Expenditure and Risks in 2005/2006

Appendix A sets out the latest 2005/2006 budget up to September 2005. This reflects the virements included at Appendix C and decisions made by the Executive on the budget up to its meeting on 11<sup>th</sup> July.

Appendix B shows the latest forecast spending for 2005/2006. This indicates a potential overspending of £1,333k. Members are reminded of Section 5 of the Budget Report in February 2005 which included a detailed analysis of known risks, within the 2005/2006 budget. It also highlighted that other

unforeseen areas of budget pressures often emerge during the financial year. The main areas of current concern are set out in more detail below.

(a) Corporate

Housing Benefit Deficit

Due to a data matching exercise with information provided by the Department of Work and Pensions, and the introduction of the Verification Framework (which involves local authorities having to carry out more stringent checks on claimants entitlements) there has been an increase in the level of claimant error overpayments in the current financial year. Such overpayments only attract 40% subsidy, instead of the normal 100%, so a higher level of overpayments will lead to an increase in net expenditure. The level of these overpayments have now started to reduce as the initial work has been undertaken to review the claims. However, an increase over the budget of around £1m is expected as a result of this. However, it is currently estimated that improved recovery of overpayments from claimants combined with other budget transfers, will bring the outturn in on target. This is reflected in the forecast in Appendix B.

An additional risk is that there are thresholds for local authority error, above which subsidy is reduced. In 2005/2006 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 which would equate to a loss of subsidy of around £600k, and above 0.54% there is a 100% subsidy penalty on all overpayments. Brent was below the 0.48% threshold in 2004/2005, and although this remains a risk it is not anticipated that the threshold will be breached this year. However, if it was, there would be a significant loss of subsidy.

(b) Children and Families

(i) Looked after Children Placements

During 2005/2006 there has been a steady rise in residential placements from 104 in April 2005 to 113 in September. The average number of residential placements for the first six months of 2005/2006 is 109, which compares to the 2004/2005 average of 90. This period has also seen a significant shift from children placed with in-house fostering placements to independent fostering agencies which is a more expensive option. Growth in numbers was forecast for 2005/2006 and additional funding provided in the budget.

There is also uncertainty about the level of grant the Council will receive from Central Government for asylum seeking children. This follows the pattern of previous years in that the total grant available and the conditions have still to be clarified.

The forecast of a £894k overspend assumes a pessimistic view of the overall current situation. The position is being closely monitored and management action being taken to seek to reduce the cost of current placements.

(ii) Secondary Children without a School Place

The Service has had to deal with around 400 additional children without a school place since the summer, of which around 280 were secondary school pupils. Action has been taken to find school places for these children and the primary school pupils have largely been placed although this has not been possible for all secondary school children. Arrangements are in place to provide classes and assessment centres within other Council buildings where placements have not been possible yet. It is anticipated that any additional costs will be met from savings resulting from delays in establishing a new Pupil Referral unit.

(iii) Gordon Brown Outdoor Centre

There was a deficit at the end of 2004/05 of £34k. Increased costs of appointing a Head of Centre and a drop in bookings from schools have produced a forecast deficit of £56k in 2005/2006.

The overall overspending forecast is currently £950k for the whole service area.

(c) Environment and Culture

An overspend of £458k is currently being forecast within Environment and Culture. The main factors are:

(i) Parking Account

Indications are that the significant loss of income experienced in 2004/2005, due to theft and vandalism of meters, has now largely been overcome. However, the transition to a new contractor in July led to a dip in performance at the end of the old contract with consequential costs and loss of income. The situation is being closely monitored and the current forecast suggests a deficit of around £300k.

(ii) Land Charges

Indications are that the downward trend which resulted in a shortfall of £190k in 2004/2005 will continue in 2005/2006. A deficit of around £300k is now expected.

(iii) Library Service

Potential overspendings of £257k relating to staff and property costs combined with a fall in income have emerged.

Various steps are being taken across the service area to reduce the overall overspend including the suspension of £150k of highway schemes. In addition a number of service units have been asked to make savings to help reduce the overspend.

(d) Housing and Community Care

The position for 2005/2006 is currently showing an overspend of £57k within which there are a number of significant variances.

Learning Disabilities are currently projecting an overspend of £500k as a result of an increased number of placements in residential care and additional staffing costs. For learning disability clients a growth bid of £418k for clients transferring from Education to Social Care was agreed as part of 2005/2006 budget process. However, the increase in client numbers was greater than expected due to the discharge of people with learning disabilities from hospital and the breakdown of family placements due to challenging behaviour by clients. A recent survey of London Social Care found that the main reason for budgets being over committed in 2005/2006 was rising learning disability client numbers and unit costs.

Physical Disabilities are also showing an overspend of £544k with the main pressures within the Homecare budget and increased number of clients receiving direct payments. Operational budgets are also running over budget with the most significant factor being the high usage of agency staff within Management and Assessment and Care Management. There are also continuing pressures on residential placements and the Carlyon Print budget.

There are early indications that the Brent PCT move to 'virtual hospital wards' is being reflected in the overspends. Patients who would have been previously admitted to hospital are cared for at home with high levels of health input. However, additional costs also fall on the local authority. The PCT planned to start having these arrangements in place from May 2005 and to reduce the number of hospital beds by 35 in September. Modelling of these reductions in health bed spaces suggests that in a full year additional costs to the Authority of £720k.

There are also concerns over potential overspends in the Joint Equipment Store budget which are currently being investigated.

To help offset these areas of overspend there are various underspendings identified amounting to around £500k. In addition £466k of contingency budgets established at the start of the financial

year are being used to contain any overspending. The Management within the Department are also seeking additional savings to bring the budget into balance.

### 3.1.2 Other Budget Items and Virements

#### (a) Senior Staff – Review of Hay Grades

At the Executive on 15<sup>th</sup> August 2005 Members adopted a revised Hay salary scale for senior staff.

Members agreed that the additional costs of £241k should be funded from within existing budgets in 2005/2006 and that officers would state in this report how this would be funded. The indications are that these additional costs will be met in the majority of service areas by holding posts vacant or from one-off savings in 2005/2006.

#### (b) Departmental Merger

At the Executive on 10<sup>th</sup> October 2005 Members agreed to establish with effect from 31<sup>st</sup> October a new Department of Housing and Community Care which combines the former Department of Housing and Customer Services with Adults and Social Care. Members are asked to agree the virement associated with this and the others in Appendix C.

## 3.2 **2004/2005 BALANCES**

### 3.2.1 2004/2005 General Fund Balances

Our external auditors PricewaterhouseCoopers signed off our final accounts at the end of October. A revised set of accounts will be presented to the General Purposes Committee shortly for member endorsement.

As a result of the audit general fund balances carried forward into 2005/2006 are £10.215m. This is an improvement of £1.869m from the estimated total balances carried forward reported to the Executive on 11<sup>th</sup> July. At that time a prudent view was taken of the potential adverse impact of audit adjustments which have not fully materialised. Audit adjustments amounted to £131k.

### 3.2.2 2004/2005 School Balances

School balances have reduced by £37k to £3,296k following the audit adjustments.

	<b>£'000</b>
31 <sup>st</sup> March 2004	2,456
31 <sup>st</sup> March 2005	3,296
	<hr/>
	840

There has been an increase of £840k over the course of the financial year (34.2%).

### 3.3 LOCAL GOVERNMENT FINANCE AMENDING REPORTS

3.3.1 The Council received notification on 31<sup>st</sup> October from the Office of the Deputy Prime Minister that Amending Reports have been issued for consultation, relating to the Local Government Finance Settlements for 2004/2005 and 2005/2006. These Reports update the Settlement for some changes in data. The most significant of these for Brent is the amendment to the 2002 mid-year population estimate. As a result Brent will lose £870k of grant for 2004/2005 and £49k in 2005/2006. This total loss of £919k has been reflected in the balances position below. The Council is making strong representation to central government about the Office of National Statistics population estimates, which we regard as significantly understating the actual position and leading to a direct loss of resources.

### 3.4 OVERALL POSITION OF BALANCES 2005/2006

3.4.1 Taking account of the final outturn the table below sets out the latest position.

	£'000	£'000
Estimated Total balances c/fwd to 2005/2006 (11 <sup>th</sup> July Executive)		8,346
Net Audit Provision not required		1,869
<b>Balances c/fwd on 31.03.05</b>		<b>10,215</b>
Less:		
Agreed contribution from balances (11 <sup>th</sup> July Executive)	(487)	
Spend to Save funding	(250)	
Potential Overspending 2005/2006	(1,333)	
Adjustments for Amending Reports	(919)	
		<u>(2,989)</u>
<b>Estimated Level of Balances 31.03.06</b>		<b><u>7,226</u></b>

3.4.2 The report to the Executive on 11<sup>th</sup> July reported a provisional level of balances at 31<sup>st</sup> March 2006 of £7.609m. Including the adjustments to our final accounts, the current overspending and the Amending Reports our current estimated level of balances is now £7.226m an overall deterioration of £383k.

3.4.3 This assumes that no further overspendings occur. Members are reminded of the risks highlighted in the 2005/2006 budget in section 3.1.

## 4. FINANCIAL IMPLICATIONS

4.1 This is contained within the detail of the report.

## **5. LEGAL IMPLICATIONS**

- 5.1 The revenue budget is agreed by Full Council as part of the annual budget process. Changes to, or departures from, the budget during the year other than by Full Council itself can only be agreed in accordance with the scheme of Transfers of Virements contained in the Constitution.
- 5.2 The Director of Finance and Corporate Resources is satisfied that the criteria in the scheme are satisfied in respect of the virements and spending proposals in the report.

## **6. DIVERSITY IMPLICATIONS**

- 6.1 This report has been subject to screening and officers believe that there are no diversity implications.

## **7. STAFFING IMPLICATIONS**

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

## **8. CONCLUSIONS**

- 8.1 The overall position on balances is now similar to that reported to the July Executive following the Audit of Accounts. But areas of overspending have emerged in Children and Families and Environment and Culture.
- 8.2 There are still 6 months of the financial year remaining and, close monitoring will be maintained with regular reports to Members. There still remains a high level of risk within the budget, but the Council and the Executive have stated that it expects all service area budgets not to be exceeded, and realistic plans produced to ensure this happens. These will be reviewed closely and brought to the Executive regularly as part of the monitoring reports. These reports also go to Performance and Finance Select Committee.

## **9. BACKGROUND INFORMATION**

Report 2005/2006 Budget and Council Tax and Minutes of the Council Meeting on 28<sup>th</sup> February 2005.

The 2004/2005 Provisional Revenue Outturn and Revenue Budget 2005/2006, Executive 11<sup>th</sup> July 2005.

Remuneration Report, Executive 15<sup>th</sup> August 2005.

Future Arrangements for the Management of the Adults and Social Care Services, Executive 10<sup>th</sup> October 2005.

## **10. CONTACT OFFICERS**

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