

	<p style="text-align: center;"><b>Executive</b> <b>18 October 2010</b></p> <p style="text-align: center;"><b>Report from the Director of Finance and Corporate Services</b></p>
<p style="text-align: right;">Wards Affected: ALL</p>	
<p><b>Revenue Budget 2010/11</b></p>	

## **1. Summary**

- 1.1 This report updates the position on the 2010/11 Revenue Budget based on forecasts for the first five months of the financial year. There is significant pressure on the budget and a number of overspends are reported. The report also asks the Executive to agree a number of virements.

## **2.0 Recommendations**

The Executive is asked to:

- 2.1 Note the latest budget position in 2010/11.
- 2.2 Require that all directors ensure that spending is kept within budget and that measures are taken, in consultation with relevant portfolio holders, to achieve this.
- 2.3 Agree the virements in Appendix B.

## **3.0 Background**

- 3.1 The 2009/10 outturn has now been confirmed with no adjustments to the general fund balances brought forward into 2010/11 reported in July. These amount to £8.963m of which £1,408m was committed when the budget was set.
- 3.2 Full Council agreed the 2010/11 budget on 1<sup>st</sup> March 2010. At the Executive on 14<sup>th</sup> September a report entitled '*Performance and Finance Review – Quarter 1, 2010/11*' showed a forecast net overspending against that budget of around £4.5m. Members requested a further report updating the position and setting out actions to reduce the level of overspending.

- 3.3 The new coalition government elected on 6<sup>th</sup> May took immediate action to reduce public sector spending and borrowing. This has seen a number of announcements impacting on spending programmes and reductions in resources in 2010/11. As part of the central government savings announced on 10<sup>th</sup> June Brent lost £6.855m of grant funding of which £5.371m related to 2010/11. These were two main sources of this funding, £2.249m of Area Based Grant and £4.606m of other grants including £3.634m of LAA Reward Grant, £390k of Housing Planning Delivery Grant, £143k of Swimming Grant and £439k from the Local Authority Business Growth Incentive scheme. At the Executive on 26<sup>th</sup> July members agreed that reductions to Brent's budget were to be made directly from the areas where the grant was being utilised to fund various services.

#### **4.0 General Fund Revenue Budget**

- 4.1 There are a number of general budget pressures which adversely impact on most services. These include:
- (i) Increases in activity, particularly client numbers in Adult Social Care and Children's Services, that became evident or occurred late in the previous financial year. They were therefore not part of the 2010/11 budget considerations.
  - (ii) Inflationary pressures from general prices and contracts. The retail price index to which a number of major contract prices are linked, such as refuse, parking and revenues, has been above 5% for a number of months.
  - (iii) In year savings driven by central government (see above in paragraph 3.3). Delivering full year savings, when the announcements were only made in June mean, will often not be possible from the area funded directly from grant. This then falls on other areas of the budget.
  - (iv) The legacy of the recession continues to depress income figures and increases demand for some services. The number of housing and council tax benefit live claims has risen from 34,082 in June 2008 to over 41,000 currently.
  - (v) As budgets generally become more strained the ability to subsidise areas of overspending from other parts of the budget is reduced.
- 4.2 A summary of the latest 2010/11 budget position is included in Appendix A. This is based on the first 5 months of the financial year and takes a prudent view of the likely outturn and the impact of any actions to reduce the deficit. However, it highlights a serious position with a forecast overspend of up to £5,574m.
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The table below sets this out in summary.

	<b>Latest Budget £'000</b>	<b>Forecast £'000</b>	<b>Variance £'000</b>
Children and Families	57,953	60,008	2,055
Environment and Culture	47,506	48,194	688
Housing & Community Care:			
○ Housing	26,018	26,066	48
○ Adult social care	89,113	92,613	3,500
Finance & Corporate Services/Central Units	25,752	25,752	0
<b>Service Area Total</b>	<b>246,342</b>	<b>252,633</b>	<b>6,291</b>
Central items	46,890	46,173	(717)
Area Based Grants	(26,355)	(26,355)	0
<b>Total council budget</b>	<b>266,877</b>	<b>272,451</b>	<b>5,574</b>
<b>Application of balances</b>	<b>(1,408)</b>	<b>(6,982)</b>	<b>5,574</b>
<b>Total after application of balances</b>	<b>265,469</b>	<b>265,469</b>	<b>0</b>

4.3 The main issues in individual services areas are as follows:

- Children and Families. The major overspending for this budget in 2010/11 is the cost of placements for children in care and the associated legal costs. The children's placement budget is currently projected to overspend by £2.0m, with legal costs £500k over budget. This is being partially offset in other budgets. The number of looked after children rose sharply in March 2010 to 374 children having been running at about 350 throughout the year. Much of the increase was for children in the age range 0-12 with high numbers of these being the subject of court proceedings. Although the number of children coming through this year has returned to previous levels the financial commitment brought forward from 2009/10 will have to be funded in this financial year and beyond.

The disproportionate use of independent foster carers compared with in-house still remains an area of concern. Apart from on-going controls on non-essential expenditure the One Council Programme is promoting and supporting a number of initiatives to increase in-house foster parents, develop preventative solutions and to return looked after children to mainstream support. These will all have a positive impact on the budget.

- Environment and Culture. There are a number of general pressures linked to the factors described in paragraph 3.3.
  - (i) The loss as associated with the withdrawal of government grant has led to pressures in Sports, Planning and StreetCare where

expenditure had been made or committed before the announcement. The likely overspends are:

<b>Service</b>	<b>£000</b>
<b>Sports</b>	135
<b>Planning</b>	140
<b>StreetCare</b>	53
<b>Directorate</b>	5
<b>Total</b>	<b>333</b>

- (ii) Loss of income, mainly associated with the economic downturn and the pressures on the housing market adds further significant problems.

<b>Service</b>	<b>£000</b>
<b>Planning fee income</b>	200
<b>Land charges</b>	100
<b>StreetCare skip &amp; hoarding licences</b>	55
<b>Total</b>	<b>355</b>

Restrictions on discretionary spending have been imposed since June. Close controls on overtime and the recruitment of permanent, temporary and agency staff have also been in place since the start of the financial year. It is proposed to achieve reductions to balance the budget by setting targets and fresh budget limits for all services.

Those services forecasting a surplus will be required to deliver these. This affects five services and amounts to a total contribution of £235k.

Those services facing overspends will be required to make a contribution to the resolution of those problems. It is proposed that targets be set for those services to recover one third of the deficit. The balance of the deficit will then be recovered in proportion to net revenue budgets.

- Housing and Community Care

- (i) The government has put caps on housing benefit with a £280 per week cap on one-bedroom properties and £400 per week on 4-bedroom or larger properties. This change was notified just before the start of the financial year. This will impact on the temporary accommodation budget. Current estimates are a net overspend of £48k.
- (ii) Adult Social Care recorded a net overspend of £2.8m in 2009/10. This was actually mitigated by one-off underspendings which will not be available in 2010/11 although £1.3m of growth was added to the budget. These spending pressures continue into this financial
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year with overspendings forecast in the 4 main client groups - older people, learning disabilities, physical disabilities and mental health. Current forecasts suggest that the level of overspend in 2010/11 is likely to be around £3.5m. There are a number of factors including under budgeting in previous years, client numbers rising and the severity of support being required, costs rising above inflation, budget savings in 2009/10 not being delivered and expected income levels not being achieved. The Transformation Programme, which is a key project within the One Council Programme, is seeking to generate efficiencies while increasing choice and service quality for clients. It will be crucial that this is able to deliver to help ensure that the budget is brought back into balance in the medium term. A range of initiatives are being pursued including restricting inflation with care home providers and a joint procurement exercise with the WLA for homecare providers which seeks to save £900k in a full year.

- 4.4 The forecast for central items is for a £717k underspend. This is made up of an underspend of £223k on concessionary fares where the final settlement agreed for 2010/11 was lower than expected. In addition there is an underspend on savings on the reduction of 50 management posts where the savings achieved have over exceeded original estimates by £294k. There is also an underspend on premature retirement compensation of £200k from a reduction in the number of fund members as reflected in the 2009/10 outturn. The target saving from the overall One Council Programme is on target to be achieved.
- 4.5 Members have already agreed a number of 2010/11 budget virements. Additional virements are set out in Appendix B. These changes will be reflected in the second quarter monitoring report.
- 4.6 The report presents a significant forecast overspend that needs to be reduced. Any overspend will be the first call on the 2011/12 budget which is already a very difficult year due to reductions in resources for central government. Members are asked to agree that officers and portfolio holders seek ways to reduce the overspend and report back to the Executive.

## **5.0 Financial implications**

- 5.1 These are set out in the body of the report.

## **6.0 Legal implications**

- 6.1 The Director of Finance and Corporate Services is satisfied that the criteria in the scheme of virements and transfer are satisfied in respect terms in the report.
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## **7.0 Diversity implications**

- 7.1 This report has been subject to screening by officers and there are no direct diversity implications.

## **8.0 Background documents**

- 8.1 Report to Executive 26<sup>th</sup> July 2010, Budget Strategy 2011/12 to 2014/15.

Report to Executive 16<sup>th</sup> September 2010, Performance and Finance Review Quarter 1 2010/11.

## **9.0 Contact officers**

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**CLIVE HEAPHY**

**Director of Finance and Corporate Services**

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## 2010/11 CURRENT BUDGET

	2010/11 Original Budget	2010/11 Latest Budget	2010/11 Latest Forecast	2010/11 (Under)/ Over Spend
	(1) £'000	(2) £'000	(3) £'000	(3) - (2) £'000
<b>Service Budgets</b>				
Finance & Corporate Resources/Central/BT	25,792	25,752	25,752	0
Children & Families	60,145	57,953	60,008	2,055
Environment & Culture	48,859	47,506	48,194	688
Housing & Community Care				
- Housing	27,665	26,018	26,066	48
- Adult Social Care	88,288	89,113	92,613	3,500
<b>Sub-Total</b>	<b>250,749</b>	<b>246,342</b>	<b>252,633</b>	<b>6,291</b>
<b>Central Items</b>				
Capital Financing Charges/Net Interest/Capitalisation adjustment	22,389	22,389	22,389	0
Levies	10,576	10,576	10,576	0
Premature Retirement Compensation	5,344	5,537	5,337	(200)
Insurance Fund	1,800	1,800	1,800	0
Civic Centre	1,668	1,668	1,668	0
Freedom Pass	1,532	223	0	(223)
Efficiency Programme/Income generation initiative, pay award adjustment	(4,365)	(2,787)	(2,787)	0
Management Posts	(2,014)	294	0	(294)
Other Costs	7,776	7,190	7,190	0
<b>Total Central Items</b>	<b>44,706</b>	<b>46,890</b>	<b>46,173</b>	<b>(717)</b>
Area Based Grants	(28,578)	(26,355)	(26,355)	0
Contribution to/(from) Balances	(1,408)	(1,408)	(1,408)	0
<b>Total Budget Requirement</b>	<b>265,469</b>	<b>265,469</b>	<b>271,043</b>	<b>5,574</b>
Balances B/Fwd 31.03.2010	8,908	8,963	8,963	
Contribution to/(from) Balances	(1,408)	(1,408)	(1,408)	
<b>TOTAL BALANCES</b>	<b>7,500</b>	<b>7,555</b>	<b>7,555</b>	
2010/2011 (Under)/Over Spend			5,574	
<b>Balances Carried Forward</b>			<b>1,981</b>	

## BUDGET VIREMENTS - 2010/2011 - Quarter 2

Detail	Children & Families	Environment & Culture	Housing & Community Care	Business Transformation	Central	Finance & Corporate Resources	Central Items
	£000	£000	£000	£000	£000	£000	£000
E- Recruitment - Business Transformation Saving				(150)			150
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(150)</b>	<b>0</b>	<b>0</b>	<b>150</b>