

SECTION 3

3. THE PROBABLE OUTTURN 2010/11

Introduction

- 3.1 This section of the report summarises the 2009/10 outturn and provides detailed information on forecast spending in 2010/11.
- 3.2 At the end of quarter three the forecast position is for a net overspend on service area budgets of £1.692m and a forecast underspend on central items and Area Based Grants of £1.398m, resulting in an overall deficit position of £294k. This is an improvement of £3.824m on quarter 2 where the forecast net overspend was £4.108m. The main reasons for this are improvements in the Children and Families and Housing and Community Care forecasts of £1.4m and £2.1m respectively. The result is that, on the basis of forecasts at the end of quarter 3, general fund balances at 31st March 2011 would be £7.261m. This is £239k less than the originally budgeted balances of £7.5m.

The 2009/10 Final Position

- 3.3 The 2010/11 budget report forecast General Fund balances at 31st March 2010 of £8.908m. Following completion of the audit of the accounts at the end of September 2010, General Fund balances were confirmed as £8.963m at 31st March 2010. This was betterment of £55k.

The 2010/11 Budget Forecasts

- 3.4 The council set a General Fund revenue budget of £265.469m for 2010/11 including a planned contribution of £1.408m from balances. Estimated balances at 31st March 2010 were set at £8.908m. The planned contribution of balances would have reduced the carry forward at 31st March 2011 to £7.5m. However, following the audit the revised figure is now £7.555m.
- 3.5 Table 3.1 below summarises the forecasted outturn which is set out in more detail in Appendix A(i). The net overspend is now forecast at £294k which will increase the contribution from balances to £1.702m reducing the general fund balances at 31st March 2011 to £7.261m.

3.6 **Table 3.1 2010/11 Forecast Outturn**

	Latest Position Over/(Under) Spend	
	£'000	£'000
Service Areas		
Children and Families	337	
Environment and Neighbourhoods	100	
Housing and Community Care	755	
Finance and Corporate Services/ Central Units	500	
		1,692
Central Items		(1,398)
Net Overspend		294

3.7 The following paragraphs provide detailed explanations of the variances on service areas.

3.7.1 Children and Families

The service area is currently forecasting an overspend of £337k and this is a significant improvement upon the quarter 2 overspend of £1.736m. The major risk areas to this budget in 2010/11 still remain the cost of children's placements for children in care at £2.0m overspend and the associated legal costs overspend of £650k. The number of looked after children rose sharply in March 2010 to 376 children, having been running at about 350 throughout the previous 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 in the year has returned to normal levels there has not been a fall in the total of looked after children and the figure remains around the 376 level. The mix of independent and in-house foster carers has improved over the last quarter following a review of foster carers with a rise in the number of in-house foster carers from 81 to 95 and a fall in independent foster carers. A number of other initiatives including preventative work is being undertaken as part of the One Council Programme to improve the position. Children and Families have been able to offset pressures with their budget through a number of measures including targeted use of their Surestart grant, increasing charges to the schools budget for early years costs, and further cost saving initiatives.

3.7.2 Environment and Neighbourhoods

There are a number of general pressures including the inflationary pressures from suppliers where contracts are linked to the retail price index such as refuse and parking contracts. The indices for these contracts were running at over 5% for the first few months of the financial year. There is the continuing legacy of the recession on income generation figures and there is the impact of the in year savings required by central government in June which saw the removal of the Planning Delivery Grant which amounted to a loss in funding of £390k. The projected overspend at the end of quarter two was £404k principally due to a contractual dispute in parking. It is expected that this dispute will now have no cost impact and that Environment and Neighbourhoods overspend will fall to £100k at the end of the year.

3.7.3 Housing and Community Care

The current forecast overspend is £755k this is an improvement of £2.136m from the quarter 2 forecast. Adult Social Care recorded a net overspend of £2.8m in 2009/10 and a number of the spending pressures from last year including rising costs and client numbers have impacted on the current financial year which led to a forecast overspend of £3.4m at the end of quarter 2. Forecasts now suggest that the level of overspend in 2010/11 is likely to be £1.464m this reduction is mainly due to the use £700k of reserves jointly held by Brent and the local PCT, an additional £900k of monies received from Brent PCT and further savings from the Starrs Project and valuing people . There continue to be pressures particularly across Learning Disabilities with staffing costs in the day centres, pressures on nursing, residential, supported living and direct payments budgets. There are also pressures on the Mental Health and Physical Disability areas. 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 savings are achieved in future years. Housing and Community Care have been able to review a number of areas in Housing and have identified savings of £709k to offset against the Adult Social Care overspend including £170k on bad debt provision for Private Housing Services and the Temporary Accommodation budget, £112k for incentive payments to landlords, £200k on the Temporary Accommodation budget and £200k on supporting people contracts.

3.7.4 Finance and Corporate Services/Central Units and Regeneration & Major Projects

There is likely to be a shortfall in council tax summons cost income, due to lower recovery levels. This area overspent in 2009/10 and collection overall is nearly 20% down this year compared to last year. An additional pressure is due to housing benefit payments having increased significantly over the last two years. Although most of these payments are recovered via Government subsidy, there are subsidy penalties relating to claimant error overpayments which are rising as the level of payments rise. These pressures are likely to

lead to an overspend of £700k in the current year though this likely to be partially offset by savings across the corporate area of £200k.

3.8 Central Items

The forecast net budget shortfall on service budgets of £1.692m is partly offset by a forecast net surplus on central items of £1.398m. The net surplus on central items is made up of various underspending and overspending items as follows:

Table 3.2 Central Items

	£'000
One Council Programme	(225)
Levies	(435)
Premature Retirement Compensation	(500)
Remuneration Strategy	315
South Kilburn	(200)
Other	(250)
Area Based Grants	(103)
Total	(1,398)

3.8.1 Capital Financing

The Council is required to provide in 2010/11 for £2m of impairment costs relating to the £15m of Icelandic bank loans held by Brent. This is being met by an expected underspend on capital financing charges. This underspend has arisen as a result of debt restructuring which took place in October 2010 where debt was repaid and refinanced by short term loans which are currently running at historically low levels of interest. There has also been a saving on interest costs relating to the HRA balances.

3.8.2 One Council Programme

The programme has generated £10.9m of savings during 2010/11 and net transfers of £10.370m have been allocated out to service areas and central items. This has created an underspend of £225k once the original target savings of £6.729m and the operational and project costs of the programme have been taken account of.

3.8.3 Levies – Section 52(9)

In setting the 2010/11 Levies budget £89k was earmarked for variations in Section 52(9) tonnages and disposal costs payable to the West London Waste Authority. This was not required due to a reduction in level of waste disposed of in landfill. In addition we are not required to meet the costs of the additional LPFA levy relating to their historic pension fund commitments for both 2009/10 and 2010/11 following notification from the LPFA with savings of £346k.

3.8.4 Premature Retirement Compensation

This is the ongoing revenue cost of pensions caused by premature retirements that fall on the General Fund. The underspend of £500k represents a reduction of costs as more people than anticipated drop out of the pension scheme and the resolution of issues around pensioners within the London Pension Funds Authority scheme as discussed in 4.10.

3.8.5 Remuneration Strategy

The overspend of £315k relates to the brought forward costs of implementing the standardisation of Outer London Weighting across officer and ex-manual worker posts. The benefits of these savings will be realised in 2011/12.

3.8.6 South Kilburn

Provision of £600k was made in 2010/11 to meet decant costs, negotiations with the preferred development partners, procurement of other development partners including legal costs, specialist consultant advice and ongoing independent advice for residents. This is expected to underspend by £200k.

3.8.7 Other

This mainly relates to an underspend of £223k on concessionary fares where there was an over provision of the budget due to the late announcement of the figure by London Councils.

3.8.8 Area Based Grants (ABG)

The Authority was informed of additional monies in 2010/11 for Area Based Grants as part of an update announced in November.

3.9 **2010/11 Virements**

A number of transfers for members' approval are included in Appendix A(ii). These relate to transfers reflecting the transfer of functions from Business Transformation, the creation of Regeneration and Major Projects, other organisational changes and the allocation of savings from One Council projects including Wave 1 Staffing and Structure, Income Maximisation and Finance modernisation.

General Fund Balances Carried Forward

3.10 The estimated position on balances carried forward is set out in Table 3.3 below.

Table 3.3 Estimated Balances Carried Forward 31st March 2011

	£'000	£'000
Budgeted balances at 31 st March 2010	(8,908)	
Betterment in 2009/10 final outturn	(55)	
Balances at 31 st March 2010		(8,963)
Forecast overspend on service area budgets	1,692	
Forecast under-spend on central items	(1,398)	
Budgeted contribution from balances	1,408	
Net contribution to balances		(1,702)
Estimated Balances C/Fwd		(7,261)