

	<p style="text-align: center;">Budget Panel 17th July 2007</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p>
For Action	Wards Affected: ALL
<p style="text-align: center;">The 2006/07 Provisional Revenue Outturn</p>	

Forward Plan ref: F&CR/06/07-48

1. SUMMARY

- 1.1 This report sets out the provisional revenue outturn for 2006/07. It shows an improvement in the position to that assumed when the 2007/08 budget was set. All figures remain provisional and are subject to further verification and audit.
- 1.2 Quarter 1 budget monitoring will be included in the planned combined Performance and Budget Review report to the Executive in September. This report does however highlight the impact on balances in 2007/08 of the 2006/07 outturn and emerging financial pressures in 2007/08.
- 1.3 The report also seeks approval for a number of virements in 2007/08.

2. RECOMMENDATIONS

The Executive is asked to:

- 2.1 Note the provisional outturn detailed in Appendix A.
- 2.2 Agree that all 2006/07 under-spends will be added to balances, unless in specific earmarked reserves.
- 2.3 Require all directors to ensure that spending is kept within budget and to take measures, in consultation with relevant portfolio holders, to achieve this.
- 2.4 Agree the virements in Appendix C.

3. 2006/07 PROVISIONAL OUTTURN

Summary

- 3.1 The provisional outturn for 2006/07 is set out in summary in Appendix A. This is based on the un-audited 2006/07 accounts approved at General Purposes Committee on 26th June.
- 3.2 Overall balances in the accounts are £9.986m at 31st March 2007. The accounts are subject to audit and balances could change as a result of this. The main risk areas are: the housing benefit subsidy claim which is subject to rigorous audit and for which there are a number of high risk areas; and the continuing impact of the early closure of accounts combined with the adoption this year of a new Statement of Recommended Practice (SORP) for the accounts means that both the complexity of accounting adjustments has increased and the time available for quality checks and resolving queries and disputes between service areas has been compressed thereby increasing the likelihood of audit adjustments. At this stage we do not expect there to be any material adjustments affecting the outturn during the audit of accounts though any changes will be reported once the audit is completed at the end of September.
- 3.3 Appendix A shows the main variances between the 2006/07 forecast outturn reported to Full Council on 5th March 2007 as part of the 2007/08 budget report, and the 2006/07 provisional outturn. The position on balances has improved by £862k from £9.124m to £9.986m with £217k of improvements attributable to service area spend and £645k to central items spend. Details are set out below.

Service area budgets

- 3.4 The main variances contributing to the improvement on service area outturn of £217k in 2006/07 were as follows:

(i) Finance and Corporate Resources/Central Units

There was an improvement in outturn of £778k. There were a number of variances but the main factors were as follows:

- (a) A betterment of £597k in the Local Taxation and Benefits accounts due to delays in the implementation of planned projects, and underspends on staffing costs because of staff vacancies and reduced use of agency staff.
- (b) A £177k increase in the level of *Council Tax summons income* recovered.

(ii) Children and Families

There was additional overspending of £98k. The main factors were as follows:

- (a) An additional £60k of transport costs and £75k of agency costs for an interim HR manager offset by an improvement in service unit balances particularly within Youth Services

(iii) Environment and Culture

There was an improvement of £19k. Again there were a number of variances but the main factors were as follows:

- (a) For Willesden Sports Centre a higher than projected PFI grant, reduced spending on consultancy and legal costs, and lower than forecast prudential borrowing costs contributed to Sports achieving an improvement of £274k. In addition Streetcare's position improved by £246k principally due to waste tonnage being lower than projected over the last three months of the year.
- (b) This was offset by additional spend in Transportation of £245k resulting mainly from setting aside a provision for costs in respect of a section 106 legal case. Redundancy and restructure costs of £249k in Trading Standards were funded in one year rather than spread over four which is the usual practice. This will produce lower costs in future years.

(iv) Housing and Community Care

There was additional overspending of £482k. The main factors were as follows:

- (a) *Learning disabilities* - an increase in overspend as a result of (1) a reduction in income deemed collectable from learning disability clients; and (2) additional residential client costs;
- (b) *Physical disabilities* – an increase in overspend as the demand for homecare and direct payments increased.
- (c) *Drugs and alcohol misuse* - There were additional spending pressures on clients affected by drug and alcohol misuse.

These costs were partly offset by reductions in overspend on Older Peoples Services and Mental Health Services.

Central items

- 3.5 There was an improvement of £645k on central items. This included a betterment of £434k on capital financing charges principally from reduced prudential borrowing repayments. A contingency on levies for increases in waste tonnages of £500k was not required and the forecast of Local Authority Business Growth Incentive scheme income was also exceeded by £500k. These improvements were partly offset by various liabilities being funded including bad debts.

Balances

- 3.6 Balances remain above the council's target range of £7.5m to £8m. The 2006/07 budget forecast balances at 31st March 2007 as £7.758m. The forecast outturn for balances in the 2007/08 budget report was £9.124m at 31st March 2007, an improvement of £1.366m on budgeted balances. Provisional outturn balances of £9.986m represent a further improvement of £862k. Details of movements are given below:

	£'000
Budgeted balances at 31st March 2007 in 2006/07 budget report	7,758
Add:	
- Forecast improvement reported in 2007/08 budget report	1,366
Forecast balances at 31st March 2007 in 2007/08 budget report	9,124
Add:	
- Further improvement as a result of the provisional outturn	862
Balances at 31st March 2007 in un-audited accounts	9,986

4. 2007/08 BUDGET

Summary

- 4.1 The 2007/08 budget was agreed by Full Council on 5th March 2007. The total budget requirement was set at £242.890m and it was estimated that balances would fall from the then forecast level of £9.124m at 31st March 2007 to £7.5m at 31st March 2008.
- 4.2 The council's budget and performance monitoring reporting arrangements have been reviewed and it is planned that a new arrangement, involving combined budget, activity, and performance reporting will be introduced. The first report, covering Quarter 1 of 2007/08, will go to the Executive in September.
- 4.3 Whilst the new reporting arrangements will provide a fuller picture of the budget position, some areas of budget risk are already apparent and these are set out in this section of this report. There are also a number of budget virements which members are asked to agree. Finally this section of the report also up-dates members on the forecast level of balances in the light of the provisional outturn.

Budget risks

- 4.4 The 2007/08 budget report included an analysis of the principal budget risks the council faces in 2007/08 (see Appendix B). The principal risk identified at that stage was uncertainty about the impact of PCT transfers and that remains so. However, there are other risk areas that the council's monthly budget monitoring has already identified as potentially materialising in both Children and Families and Housing and Community Care.
- 4.5 In Children and Families the most significant risk is delivery of savings as a result of the 'invest to save' programme for children's social care agreed as part of the 2007/08 budget. This included gross additional investment in preventative measures of £2.074m (net £809k) in 2007/08 which is to be repaid from savings in future years. £1.265m of this initial investment was to be repaid by reductions in the cost of placements in 2007/08. Following a very significant increase in the cost of placements in 2006/07, both costs and numbers of children in care have stabilised. Monthly children's placement costs were no more in April and May 2007 than they were in April and May 2006. However, in order for spend to be kept within budget there need to be reductions in both cost and number of children in care reflecting the "Invest to Save" scheme. Potential overspends have also been identified on some other budget heads, including legal services and cost of looking after children at home. Overall, the total forecast overspend at this stage is £1.859m. This however assumes that the "Invest to Save" schemes have no impact. The agreed plans are based on savings being delivered later in the financial year. This will need to be closely monitored to ensure the budget comes back into balance or other measures will need to be taken to ensure this happens.
- 4.6 Within Housing and Community Care, the main area of potential overspend is temporary accommodation which is showing a forecast overspend of £208k. This is primarily due to continuing pressure on numbers in bed and breakfast. The council successfully reduced numbers of families in bed and breakfast between 2001/02 and 2004/05 but numbers have begun to rise over the past two years as the council seeks to reduce dependence on Housing Association Leasing Schemes. It makes operational sense to accommodate some families in bed and breakfast whilst their homelessness status is assessed but the number of families in bed and breakfast – which were 269 at May 2007 - is higher than required. Despite numbers in bed and breakfast, the council continues to meet the Best Value Performance Indicator target of limiting the average length of stay in bed and breakfast accommodation to no more than 6 weeks. Measures are starting to be taken to bring the budget back into balance. There is a further potential overspend on the One Stop Shop budget of £84k, principally as a result of loss of HRA income. This reflects a reassessment of the balance of work undertaken between HRA and General Fund services by the shops.

Budget virements proposed for 2007/08

- 4.7 Virements proposed for 2007/08 are detailed in Appendix C.

Overall impact on balances in 2007/08

- 4.8 Taking account of the provisional outturn the table below sets out the latest position forecast.

	£'000
Total Balances Carried Forward to 2007/08	9,986
Less agreed contribution from balances in 2007/08 budget	(1,624)
Estimated Balances at 31st March 2008	8,362

- 4.9 The agreed budget set balances of £7.5m at 31st March 2008 and there is therefore an overall current improvement of £862k included within the 2007/08 budget. However, potential budget variances reported in paragraph 4.5 and 4.6 above could have a significant impact on this.

5. FINANCIAL IMPLICATIONS

- 5.1 These are contained within the detail of the report.

6. LEGAL IMPLICATIONS

- 6.1 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 and Virements contained in the Constitution. Any decisions the Executive wishes to take and any changes in policy which are not in accordance with the budget set in March 2007 and are not covered by the Scheme of Transfers and Virements will therefore need to be referred to Full Council.
- 6.2 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.

7. DIVERSITY IMPLICATIONS

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

8. STAFFING IMPLICATIONS

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

9. CONCLUSIONS

- 9.1 The Statement of Accounts, prior to audit, were presented to the General Purposes Committee in June. All figures therefore remain provisional. It is however pleasing to report an improvement in the position to that previously assumed.
- 9.2 It is very early in the financial year and close monitoring will be maintained with regular reports to Members. There still remains a high level of risk within the budget. The increase in balances provides an additional cushion against areas of concern which will emerge later in the year.

10. BACKGROUND INFORMATION

2007/08 Budget and Council Tax report - Council Meeting on 5th March 2007.

2006/07 Statement of Accounts – General Purposes Committee on 26th June 2007.

11. CONTACT OFFICER

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2007/08 BUDGET RISKS – TAKEN FROM 2007/08 BUDGET REPORT

	Worst case £'000	Likeli- hood %	Estimated risk £'000
<u>Demand risks</u>			
Adult care packages	2,000	30%	600
Children's care packages	2,000	30%	600
Cost of accommodating looked after children (including asylum seekers beyond the age of 18)	500	25%	125
Temporary accommodation – increase in homelessness	600	30%	180
<u>New legislation</u>			
Health Act, the Equality Act, the Electoral Administration Act, the Compensation Act, the Childcare Act, and the Children and Adoption Act	200	20%	40
<u>Legal challenge</u>			
Legal challenges – e.g. to contracts and in employment tribunals	2,000	30%	600
<u>Partnerships</u>			
Transfer of costs from the tPCT to the council	6,700	25%	1,675
<u>Interest rate fluctuations</u>			
Risk of major turbulence on markets	500	10%	50
<u>Procurement risks</u>			
Affordable housing PFI	1,000	30%	300
Risk that cost of social care placements may increase by more than the inflation increase allowed	1,000	30%	300
Energy risk – risk of increases in energy prices which cannot be contained in budgets	200	25%	50

	Worst case £'000	Likeli- hood %	Estimated risk £'000
<u>Pay risks</u>			
Risk that increases in the annual pay award above the 2.5% provided within budgets cannot be contained	1,200	25%	300
Risk that additional costs will, be incurred above those budgeted for single status	1,000	20%	200
<u>Grant risks</u>			
Risk of exceeding the threshold on housing benefit overpayments in 2007/08	600	30%	180
Risk of amendments to housing benefit subsidy claim	1,500	20%	300
Risk of not achieving LABGI income at level budgeted for	1,250	20%	250
<u>Savings/income risks</u>			
Risk of not achieving full saving from reconfiguration of adult social care	1,000	30%	300
Risk of not achieving central savings from the Efficiency Programme	1,000	20%	200
Risk of not achieving other savings in the budget	9,000	10%	900
<u>Asset management risks</u>			
Closure of council buildings and need to find alternative accommodation	1,000	20%	200
<u>Major disaster</u>			
The government has a scheme (the Bellwin scheme) that covers authorities for 85% of costs of a major disaster above 0.2% of net revenue budget. The risk to the council is 100% of costs below the threshold and the 15% above it.	500	30%	150
Total General Fund revenue risks	34,750		7,500
<u>Major capital schemes</u>			
Risk that major schemes in the agreed capital programme will overspend	4,000	20%	800
Total Capital Risks	4,000		800