

SECTION 4

4. THE PROBABLE OUTTURN 2003/2004

Introduction

- 4.1 Members will be aware from the regular reports to the Executive that the 2003/2004 revenue budget has been closely monitored and various adjustments made during the financial year.
- 4.2 It is forecast that there will be a significant overspending in Education, Arts and Libraries and there are various pressures on specific Environment budgets. The other Service Areas are expected to remain within agreed budget.

The 2002/2003 Final Position

- 4.3 The Council's provisional outturn for 2002/2003 was reported to the Executive on 21st July and the Statement of Accounts was presented to the General Purposes Committee on 4th September. This was subject to the audit of the accounts which were signed off by the Council's external auditors, PricewaterhouseCoopers on 22nd December. As a result of the audit a further £463k of items have been charged to the revenue account. These changes primarily relate to income from debts which are deemed non-collectable within Social Services. This has had the impact of reducing reserves available by a corresponding amount. There are also other adjustments to the accounts which do not have a direct effect on balances.
- 4.4 The Council's General Fund balances carried forward into 2003/2004 now amount to £613k as a result of the audit and allowing for timing differences. The previously reported figure was £1,076k. The final Statement of Accounts will be submitted to the next General Purposes Committee. The adjustment to balances has been reflected in Appendix A.

The 2003/2004 Budget

- 4.5 The Council set a General Fund revenue budget of £327.648m for 2003/2004 including a planned contribution of £3.054m to balances. This assumed balances of around £4m. A number of adjustments have been made during the financial year that have created available balances of £4.178m, before audit adjustments and net overspending set out in this Section are taken into account.

Estimated Position 2003/2004

- 4.6 The last report on the overall revenue budget went to Executive on 12th November based on the position at the end of September. Each service area has subsequently prepared an updated report detailing its position to the end of December. The forecasted outturn is set out in Appendix A. The table

below summarises this position and compares it to that previously reported. It shows the position has worsened for Service Areas with a potential net overspending of £1.702m. This is primarily centred on the Education, Arts and Libraries budget and the reasons are set out below.

Table 1 - 2003/2004 Forecast Outturn

	Previous Position		Latest Position	
	Over/(Under) Spend £000	£000	£000	£000
Service Areas				
Corporate Units	0		(39)	
Education, Arts and Libraries	574		1,613	
Environment	20		128	
Housing	50		0	
Social Services	0		0	
		644		1,702
Central Items		(6)		103
Total Adverse Variance		638		1,803

Corporate Units

4.7 The Corporate Units are forecast to show a small surplus. The main area of uncertainty is the Housing Benefit Deficit which because of the scale of activity can fluctuate significantly.

Education, Arts and Libraries

4.8 The forecast overspend for Education Arts and Libraries is £1.613m with the main reasons being.

(a) SEN out of Borough Placements

There is an increasing proportion of children with complex needs nationally. This is in part due to medical advances where children with profound and multiple difficulties are more likely to survive. There is also a significant increase in the numbers of children who are diagnosed on the autistic spectrum requiring specialist provision. These factors have contributed to increasing numbers of Brent pupils in out-borough special schools. An additional 47 pupils in 2003/2004 represents an increase of 29%. There has also been a huge increase in independent special school fees. In 2003/2004, these ranged from 5% to 48%. This in part reflects teachers' pay and more rigorous standards of care being applied nationally, leading to increased staffing costs. The situation has been exacerbated by pupils moving into the Borough where Brent has had to assume financial responsibility for a day or residential special school placement. For 2003/2004 there are nine such pupils costing the Authority an additional £300k. All these factors have led to an expected

overspend of £1.133m. Much of these increased costs only became apparent when the new academic year started in September.

(b) Home to School Transport

Home to School Transport is currently forecast to overspend by £275k an improvement of £75k on the figure reported to the Executive in November. Since the start of the new school year there have been 14 new routes all provided by taxis and for children who cannot be placed on coaches or paired. Two further factors have increased the volume of demand for the service 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 significant rise in the number of referrals compared to 2002/2003 and this is coupled with an increase in the average time pupils are remaining on tuition. This has led to a potential overspending of £205k an increase of £65k on that last reported to the Executive in November. This 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.

4.9 The forecast overspending takes a prudent view of the position and it is hoped that actions being taken will generate some compensating savings but at this point these are too early to quantify with any certainty.

Environmental

4.10 The Environment budget is very complex with a large number of different services and pressures. The net forecast overspend for Environment is £128k which includes the following areas of overspending

(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 a basic 2% for inflation (£115K) plus a further £160K for indexation in excess of RPI. This leaves a shortfall of £130K.

(b) Legal Fees

The Council is currently involved in a case where legal claims have been made in respect of Section 106 monies. These costs eventually could be in excess of £200k.

(c) 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 late February 2004 and there will be a net shortfall in income of £34k from that originally forecast for 2003/2004 only.

There are a number of compensating savings within Highways, Waste and Service Units that are being used to offset the above items. The main item being that less waste has been generated than anticipated and hence disposal costs have reduced. In addition the Parking Control Account is forecasting a surplus of £128k which will be used to fund overspendings in Transportation.

Housing

4.11 The position in Housing has improved by £50k to a breakeven position following the agreement by Members at the Executive on 10th November to allow Housing to carry forward £50k from their underspending in 2002/2003.

Social Services

4.12 Social Services are currently forecasting a breakeven position for 2003/2004. Substantial growth has been allocated to Social Services in 2003/2004 following the budgetary problems in 2002/2003 however the nature of the service is such that there is huge service and cost volatility. The service 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 financial information have meant that Managers become aware of problems earlier and where possible can take corrective action.

Central Items

4.13 Other Issues

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 up to £224k.

Other members of the WLWA have so far opposed any change. At this stage no account has been made for any saving.

4.14 Advertising and Other Income from Sponsorship

The agreed budget assumed £119k could be raised primarily from income derived from lamppost advertising. A report went to the Executive on 28th May agreeing negotiations with a preferred contractor. A number of difficult issues still need to be resolved before any income is received and none will accrue from this source in the current financial year.

Virements

4.15 Recruitment and Retention

A number of measures to improve the recruitment and retention of a range of important posts was approved by the Executive on 21st July 2003. This allocated funding to specific initiatives and also retained a central budget for future allocation. We are now seeking to vire funds from this central budget to the following two service areas.

Education Arts and Libraries

The original report identified difficulties in recruitment and retention of educational psychologists. A more detailed proposal has now been developed which will fund specialist training for staff within the team at full year cost of £25k.

Housing

The original report assumed that a proportion of the agreed market supplement payments to surveyors could be found from within the Unit's own resources. This was not the case and a further £40k per annum is required to fund the initiative as originally set out in the report.

Members are asked to approve the above virements.

General Fund Balances Carried Forward

4.16 The overall position on available balances carried forward into 2004/2005 is estimated to be:

Table 2 – Balances Carried Forward 31st March 2004

	£m
Balances per Appendix A	4,178
Less Audit Adjustments	(463)
Less Utilisation of Balances to Cover Net Overspends	(1,805)
Estimated Balances C/Fwd	<u>1,910</u>

- 4.17 It is essential that appropriate measures continue to be taken by Service Areas to seek to keep within their budgets during the rest of the financial year and not jeopardise the 2004/2005 budget. It is proposed, in accordance with the policy in the Medium Term Financial Strategy, that Service Areas whose actual spend at 31st March 2004 is in excess of their estimated outturn set out in this report will produce plans by July 2004 on how they intend to replace those balances utilised to fund this overspend. This is subject to confirmation by the Executive when the provisional outturn is reported.

Summary of the 2003/2004 Probable Outturn

- 4.18 The forecast spend leaves £1.910m of General Fund balances to carry forward into 2004/2005. In accordance with the analysis in Section 5 the impact of the net overspendings will require the shortfall to be made up with a contribution to balances in the 2004/2005 budget.