

SECTION 4

4. THE PROBABLE OUTTURN 2006/07

Introduction

- 4.1 This section of the report summarises the 2005/06 outturn and provides detailed information on forecast spending in 2006/07.
- 4.2 The 2006/07 revenue budget was set at Full Council on 6th March 2006. There have been regular monitoring reports to the Executive and Performance and Finance Select Committee since then. Significant overspends were identified early in the financial year in both children's and adults' services and action taken to contain these. The impact of controls put in place, together with an £859k contingency created by reducing budgets for Corporate Units and under-spends in central items, is that the net overspend across for the council is now forecast at £1.175m. This is offset by an improvement of £2.541m in balances brought forward from 2005/06, net of a £54k reduction in contribution to balances in the current year. Balances carried forward to 2007/08 have therefore increased by a net £1.312m, from £7.812m in the original budget to a revised forecast of £9.124m.

The 2005/06 Final Position

- 4.3 The 2006/07 budget report forecast General Fund balances at 31st March 2006 as £7.722m, broadly in line with the level set in the 2005/06 budget. Following completion of audit of the accounts at the end of September 2006, General Fund balances were confirmed as £10.263m at 31st March 2006, representing a net betterment of £2.541m.

The 2006/07 Budget Forecasts

- 4.4 The council set a General Fund revenue budget of £235.513m for 2006/07 including a planned contribution of £90k to balances. Estimated balances at 31st March 2007 were set at £7.812m.
- 4.5 Table 4.1 below summarises the forecasted outturn which is set out in more detail in Appendix A. The net overspend is forecast at £1.175m.

Table 4.1 2006/07 Forecast Outturn

	Latest Position (Over)/Under Spend	
	£'000	£'000
Service Areas		
Children and Families	(3,300)	
Environment and Culture	141	
Housing and Community Care	(2,016)	
Finance and Corporate Resources / Central	<u>(29)</u>	
		(5,204)
Central Items		3,170
Contingency from savings in corporate areas		859
Net Overspend		(1,175)

4.6 The following paragraphs provide detailed explanations of the variances.

Children and Families

4.7 The current forecast overspend in Children and Families is £3.3m, which is line with the target set for them at the September Executive. The forecast overspend had been £5m and the £3.3m forecast in this report reflects actions taken to reduce it. These include the following:

- a. Since April 2006 68 care leavers aged over 18 have been moved into permanent housing with savings to date of £200k. The focus has been on provision of permanent accommodation but this has been difficult given the competing calls on permanent accommodation. Up to 6 tenancies per month are being identified for care leavers and a further 15 temporary market rented units have now been identified for Unaccompanied Asylum Seeking Minors who do not have permanent residency status. The Housing Advice Team in Housing and Community Care is seeking to identify other suitable properties.
- b. Latest estimates are that £106k housing benefits will be recovered in 2006/07 as a result of maximising the housing benefit entitlement of children in care who have reached 18.
- c. Some progress has been made on limiting the use of high cost placements but a long term solution depends on arrangements being put in place which allow high levels of supervision to be provided in alternative settings. The invest to save proposals in Section 5 of this report include provision for the recruitment of specialist foster carers who will receive an enhanced allowance, more training and additional support to look after very high need children.
- d. Overall the numbers of looked after children have fallen in recent months. After increases in the first part of 2006/07, children in care fell from 427 in June 2006 to 398 in December 2006, leading to reductions in the forecast overspend of £300k.
- e. The contingency within the children's budget of £209k has been allocated to the overspend.
- f. Action has also been taken on the over-stayers budget, which meets costs of families awaiting deportation who have no recourse to public funds. Investigation of circumstances has resulted in decisions to withdraw support from a number of families and this has realised savings of £61k.
- g. There is a £400k reduction in the budget required for children with special needs following a review of costs that are properly incurred by the social care budget and costs that should properly be charged to Special Education Needs in the Dedicated Schools Budget (DSB). It should be noted however that pressures on the SEN budget in the current year have meant that there is a forecast overspend in the DSB of around £1.1m. The Schools Forum agreed at its meeting in December 2006 to fund this overspend by reducing the funds allocated to schools in 2007/08 by £1.5m. This will cover the overspend and shortfall anticipated in 2007/08.

h. As a result of the freeze on non essential spend, tighter recruitment processes in operation, and deferral of growth within the youth service, additional savings of £169k have been found.

- 4.8 The proposals in Section 5 of this report will mean that the on-going costs of children in care will be fully funded in 2007/08, with a total of £4m growth to meet budget pressures and a further net £809k (£2.074m growth less £1.265m savings in 2007/08) for invest to save measures. There is also additional funding in 2007/08 within the Local Area Agreement to allow extension of the Stonebridge pilot for integrated care services to other parts of the borough and funding has also been providing to meet the cost of the Freeman Centre which will provide additional family support. Full funding of placement costs at current levels plus invest to save funding and other growth will allow children's care services to introduce preventative measures which will ensure there should be no requirement to put growth funding into children's care services in future years.

Environmental and Culture

- 4.9 Environment and Culture had been forecasting an overspend of £835k in September 2006. Action to reduce this means that the department is now forecasting an under-spend of £141k. Some of this has been achieved by savings in areas that were contributing to the overspend. For example, forecast overspending on street lighting was £535k in September, reduced to £510k in November, and is now £425k. A £300k reduction has been achieved in street-care through additional income generation from dry recycling and other sales, slow-down in expansion of the estate recycling service, and reduced spending in other areas. The balance of the reduction has been achieved by setting savings targets for each unit which are being achieved by a combination of measures such as delaying recruitment to vacant posts and reducing spending on training.
- 4.10 The 2007/08 budget proposals in Section 5 include £425k growth for street lighting costs and one off funding of £300k for libraries pending decisions on the library strategy which is due to be considered initially by the Executive in March. As a result, there should be no recurrence of the budget overspends that occurred in 2006/07.

Housing and Community Care

- 4.11 The forecast overspend for Housing and Community Care in September was £3.4m and the department was set a target to get that down to £2.3m. The forecast outturn is now £2.0m, which is a £1.4m improvement on September's figure. It consists of a forecast overspend on adult services of £2.8m offset by a forecast under-spend on the temporary accommodation budget of £800k.
- 4.12 The forecast overspend on adult services of £2.8m consists of the following:
- a. Services for older people - £2.0m mainly on nursing and residential and direct payment demands;
 - b. Services for people with physical disabilities - £550k mainly on home care packages;
 - c. Services for people with learning disabilities - £150k across a range of services;

d. Services for people with mental illness - £750k mainly on residential placements;

Offset by:

e. Application of contingency – £500k;

f. Core services under-spend - £150k.

- 4.13 The potential overspend in adult services was identified early in the financial year and blanket spending restrictions have been in place in Housing and Community Care since 4th July. This has had a positive impact on projections as budget holders have adhered closely to the strict guidelines regarding discretionary spending. In addition, all high cost care packages are being reviewed to identify potential savings.
- 4.14 The surplus on temporary accommodation remains at £800k as reported to previous budget monitoring reports. This reflects better than expected income generation from Brent Direct Leasing and other private leasing schemes. There has however been an upward trend in the number of households in hotel accommodation. This is largely due to an increase in homeless approaches during the third quarter of the year, and work being done to reduce the use of other forms of temporary accommodation in line with government targets. No family is in hotel accommodation for more than 6 weeks unless there are exceptional reasons and action is being taken to address the increased numbers in B&B by continuing to develop the housing advice service and increasing the number of Brent Direct Lease properties and other self contained temporary accommodation being used. However, numbers in B&B will need to continue to be monitored and managed closely.
- 4.15 The 2007/08 budget proposals in Section 5 include £1.7m growth in adult service budgets to fund the impact of demographic growth and higher cost placements, with a further £4.097m allocated to meet the anticipated full-year effect of cost transfers from the PCT. Whilst this represents significant growth in funding for the service, demographic pressures, shortage of potential placements, and the transfers from the PCT which could be up to £11m mean that there will continue to be significant pressure on the budget in 2007/08. Plans to reconfigure the service to reduce dependency and increase independence are expected to yield savings and a £1m budget reduction is included in the 2007/08 budget proposals to reflect these – with further savings expected in future years – but the plans are at an early stage of development. In addition, the under-spend of £800k on temporary accommodation is not expected to recur in 2007/08 because of a reduction in the cap up to which central government pays 100% housing subsidy. The Housing and Community Care budget will therefore need to be closely monitored in 2007/08 to ensure overspends do not recur.

Corporate Units

- 4.16 Corporate Units¹ 2006/07 budgets were reduced by £859k in September to offset the forecast overspends in other service areas. Most of the savings

¹ The Corporate Units include Finance and Corporate Resources, the Policy and Regeneration Unit, the Communications Unit, the Human Resources Unit, Legal and Democratic services, and the Chief Executive's office.

required to achieve this have been implemented but a small deficit of £29k is now forecast.

Central Items

4.17 The forecast budget shortfall on service budgets of £5.204m is offset by the contingency of £859k created by reduction in Corporate Unit budgets and a forecast net surplus on central items of £3.170m. The net surplus on central items is made up as follows:

- a. Debt charges/net interest receipts - £2.890m;
- b. Levies and associated waste disposal costs (see paragraph 4.19 below) - £851k;
- c. South Kilburn development - £300k;
- d. Ward working - £700k;
- e. Other items (includes £50k on premature retirement compensation) - £194k;

Offset by:

- f. Reduced income from the Local Authorities Business Growth Incentive scheme (LABGI) - £500k;
- g. Loss of parking charge income as a result of High Court case - £1.065m;
- h. Tornado damage - £200k.

4.18 The reduction in debt charges/interest receipts compared to budget is due to:

- Original estimates were based on interest on balances of 4.5%, whereas bank rate, which dictates interest on investment, is currently 5.25%. This has produced forecast savings of some £400k in 2006/07;
- Budget forecasts include the assumption that new borrowing will be at 5%. In practice, new borrowing has been carried out at an average of 4.25%, producing further forecast savings of £400k.
- The council has made net savings of some £500k per annum (reduced interest net of penalty payments) by replacing fixed interest debt at high interest rates with debt at lower interest rates;
- Re-phasing of capital programme schemes has saved some £300k;
- Interest from Gujarati Arya Association as a result of the agreement for transfer of the John Billam pavilion has saved £100k;
- Other cash flow improvements including higher than forecast balances have yielded £200k;
- Re-assessment of the interest charge for HRA borrowing, which is funded from HRA subsidy, releasing a further £1m to the General Fund.

4.19 Other central item reductions are as follows:

Levies/West London Waste Authority

The 2006/07 budget report to Full Council on 6th March 2006 detailed changes to the way in which the West London Waste Authority planned to

raise its income, largely brought about by national changes to the arrangements for raising levies for waste authorities. Changes to the allowance for non-household waste and treatment of credits for recycling were expected to have a significant but, at that time, unquantifiable impact on the amount Brent would have to pay to West London Waste. £656k of the £2.007m contingency held for this has been allocated to the Environment and Culture budget, and a further £500k is required to meet any potential increases in waste tonnage over the remainder of the financial year. The result is that there is a reduction of £851k in the amount that needs to be provided for the West London Waste Authority levy in central items.

South Kilburn development

£500k was included in the revenue budget for legal and other costs and the cost of decanting. It is estimated that £200k is required in 2006/07 to meet costs of the delivery vehicle appointment process, independent advice for residents and other consultant fees. This leaves a balance of £300k which is not required pending the start of the decant process.

Ward working

A budget of £900k was provided for roll out of ward working to all 21 wards planned for October 2006. This did not happen and, as a result, there is a budget saving of £700k in 2006/07.

- 4.20 Additional funding is however required for the following central items:

Local Authority Business Growth Incentive Scheme (LABGI)

The LABGI scheme was introduced in 2005/06. Payments are made to local authorities on the basis of increases in rateable value of business in the area adjusted for changes in the number of empty properties. The council's 2006/07 budget included £1m for LABGI income. The amount paid to local authorities is based on the rating list at December of each year and our latest estimate based on the changes between December 2005 and December 2006 is that the council will only be entitled to £500k, mainly because of the removal of some highly rated properties including the Wembley Conference Centre and the former Guinness Brewery site. There is expected to be a very significant increase in 2007/08 as a result of opening of the Wembley Stadium and other associated developments.

Parking income

The High Court ruling in 2006 that the wording used by London boroughs on parking Penalty Charge Notices (PCNs) did not conform with legislative requirements. The wording was corrected but the ruling made it difficult actively to pursue outstanding debts. The loss of income to the council is assessed at just over £1m.

Tornado damage

On 7th December 2006 a number of roads in Kensal Rise were hit by a tornado which caused extensive damage to houses, roads, trees and cars in the area. Brent set up a respite centre for residents who had been made temporarily homeless as well as an Advice Centre; at its peak there were 34 uninhabitable properties. The authority provided 12 qualified surveyors and many other staff on site to ensure detailed surveys were carried out on some of the more badly damaged properties before residents could be safely

allowed back into their homes. Teams from Streetcare and the Highways Service were engaged in a major clear up operation to clear the streets of debris before the roads through the area could be opened up. There was also major structural damage to the Manor School. The cost of the emergency operation and damage to council properties is estimated to be £200k. The government has a special provision called the Bellwin Scheme for disasters or emergencies. However, Brent is not eligible for any assistance in this case as the threshold for government support is set at 0.2% of the authority's annual budget (£780k) and the costs incurred fall well short of that.

General Fund Balances Carried Forward

4.21 The position on balances carried forward is set out in Table 4.2 below.

Table 4.2 Estimated Balances Carried Forward 31st March 2007

	£'000	£'000
Budgeted balances at 31 st March 2007		7,812
Betterment in 2005/06 final outturn	2,541	
Forecast overspend on service area budgets	(5,204)	
Forecast under-spend on central items	3,170	
Contingency from reductions in Corporate Unit budgets in-year	<u>859</u>	
		1,366
Reduction in budgeted contribution from balances		<u>(54)</u>
Estimated Balances C/Fwd		<u>9,124</u>

4.22 Forecast balances carried forward of £9.124m are above the council's target balances of £7.5m to £8m. The next section makes recommendations on use of balances to support the 2007/08 budget.