

SECTION 4

4. THE PROBABLE OUTTURN 2007/08

Introduction

- 4.1 This section of the report summarises the 2006/07 outturn and provides detailed information on forecast spending in 2007/08.
- 4.2 The 2007/08 revenue budget was set at Full Council on 5th March 2007. As part of the new Performance and Finance Review Reports, quarter 1 and quarter 2 updates of the authority's financial position have been reported to the Executive and Performance and Finance Select Committee. Significant overspends were identified early in the financial year in both children's and adults' services and action taken to limit these. At the Executive Committee on 10th December 2007 officers reported a forecast overspend of £870k as at the end of the 2nd quarter and that measures were being taken to deliver savings of £1.870m in 2007/08 to address the forecast overspend of £870k and enable £1m of balances to be used to support the 2008/09 budget.

The 2006/07 Final Position

- 4.3 The 2007/08 budget report forecast General Fund balances at 31st March 2007 of £9.124m, £1.312m higher than the level set in the original 2006/07 budget. Following completion of audit of the accounts at the end of September 2007, General Fund balances were confirmed as £9.907m at 31st March 2007, representing a further net betterment of £783k.

The 2007/08 Budget Forecasts

- 4.4 The council set a General Fund revenue budget of £242.890m for 2007/08 including a planned contribution of £1.624m from balances. Estimated balances at 31st March 2008 were set at £7.5m. This was based on the forecast balances brought forward at 31st March 2007 of £9.124m less the 2007 estimated use of balances during the year of £1.624m. At the December Executive Members agreed that £18k of monies needed to fund the Stonebridge ward by-election should be met from balances thus increasing the planned contribution from balances to £1.642m.
- 4.5 Table 4.1 below summarises the forecasted outturn which is set out in more detail in Appendix A. The net underspend is now forecast at £340k which will reduce the contribution from balances to £1.302m.

Table 4.1 2007/08 Forecast Outturn

	Latest Position (Over)/Under Spend	
	£'000	£'000
Service Areas		
Children and Families	(902)	
Environment and Culture	355	
Housing and Community Care	(3,070)	
Finance and Corporate Resources / Central Units	1,193	
		(2,424)
Central Items		2,764
Net Underspend		340

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 £902k, which is an improvement of £290k on the second quarter forecast reported to the December Executive. The overspending is primarily due to children's social care although this has stabilised in recent months. The number of placements and monthly spend on these placements continue to be less than in 2006/07, indicating that spending has been brought under control. However, the budget assumed greater reductions in placement costs as a result of the various 'invest to save' initiatives. It was always planned that most of these schemes would only deliver results in the second half of the year and many remain at a relatively early stage of delivery and the full impact has yet to feed through to placement numbers or costs. In addition, difficulty in recruiting in-house foster carers has meant increasing dependence on fostering agencies which are significantly more expensive. The £290k improvement in the outturn forecast is mainly attributable to additional one off monies expected for a special circumstances grant claim for unaccompanied minors asylum seekers. There still remain risks to this forecast. The number of looked after children rose slightly in December although the costs in December continued the downward trend of the past nine months largely as a result of an increase in in-house foster carers. There are also pressures on the Special Education Needs budgets - particularly home to school transport, recoupment, statement costs and residential costs – and these will need to continue to be managed closely.

Environment and Culture

4.8 Environment and Culture had been forecasting an overspend of £55k for the second quarter. Action to reduce this means that the department is now forecasting an under-spend of £355k. There are three main areas of pressure on Environment and Culture's budget.

- Bulky Waste Collections - since it was introduced on 1st July, demand has dropped significantly and there could be a shortfall in income of as much as £226k.
- Stadium Events – Wembley Stadium have refused to pay all bills towards the cleaning costs of events which was envisaged as part of the Section 106 agreement. Wembley Stadium officials consider that their liability is for a far smaller area than is actually affected by the staging of events. Negotiations are continuing between the authority and Wembley Stadium with disputed costs up to £200k.
- Waste – officers are currently forecasting an overspend of £200k on rising waste tonnages though this is a volatile figure.

4.9 Action has been taken across the service area and the above overspendings have been offset by a series of underspendings in unit budgets, particularly staff savings in Environmental Health and Sports.

Housing and Community Care

4.10 The forecast overspend for Housing and Community Care in the second quarter was £3.26m. The forecast outturn is now £3.07m, which is a £190k improvement on the figure reported to the December Executive. It consists of a forecast overspend on adult services of £3.295m offset by a forecast underspend on the housing of £225k. The housing underspend is mainly due to the financing of the supporting people administration budget from monies available within the supporting people grant.

4.11 The number of clients in adult care are relatively stable at the moment (excluding transfers from health which have been separately budgeted for). The overspend largely reflects an underlying mismatch between budgets and increasing client numbers from past periods and hence spending on placements and income coming into the service. Measures have been in place in adult social care since July to restrict discretionary spending. The underlying budget issues are being addressed by (a) a re-alignment of budgets to better reflect actual spending; and (b) the adult care transformation programme aimed at increasing levels of self-directed support, reducing the cost of the assessment process and high cost placements, and ensuring day care is better targeted at need.

Finance and Corporate Resources/Central Units

4.12 The forecast underspend for Finance and Corporate Resources/Central Units in the second quarter was £703k. The forecast outturn is now £1.193m, which is a £490k improvement on the figure reported to the December Executive. The main saving within this area has come from the housing benefit subsidy budget which is affected by the level of claimant error overpayments and the level of overpayments recovered from claimants. These are difficult to predict and crucially dependent on performance of the service, and a cautious approach was taken when budgeting. In practice, the level of claimant error for 2007/08 is expected to be significantly lower than in

2006/07 (down from £4.77m to an estimated £3.74m), leading to a reduction in subsidy loss of approximately £600k. In addition the overpayment recovery figure is expected to rise from £4.05m to £4.25m. The second quarter figures had already assumed a saving of £550k; the revised forecast underspend reflects expected further improvements before the year end.

Central Items

- 4.13 The forecast net budget shortfall on service budgets of £2.424m is offset by a forecast net surplus on central items of £2.764m. The net surplus on central items is made up as follows:

Table 4.2 Central Item Savings

	£'000
Capital financing charges/net interest receipts	1,400
South Kilburn development	200
Premature retirement compensation	83
Additional income from the Local Authorities Business Growth Incentive scheme (LABGI)	710
Property repairs and maintenance	200
Other central items	171
Total	2,764

- 4.14 The reduction in capital financing charges/interest receipts compared to the budget is due to:

- £600k from interest on balances due to a higher bank rate, than budgeted in 2007/08;
- The council has made net savings of some £100k per annum (reduced interest net of penalty payments) by replacing fixed interest debt at high interest rates with debt at lower interest rates;
- Re-assessment of the interest charge for HRA borrowing, which is funded from HRA subsidy, releasing a further £700k to the General Fund.

- 4.15 Other central item reductions are as follows:

South Kilburn development

Out of the budget of £500k for 2007/08 it is expected that only £300k will be spent to meet the delivery vehicle negotiations process and associated costs, additional legal costs, independent advice for residents and other consultant fees. This partially reflects the delays with the scheme.

Premature retirement compensation

This is the ongoing revenue cost of pensions caused by premature retirements that do not fall on the Pension Fund which took place primarily up to 31st March 1994. Savings arise as pensioners fall out of the pension scheme.

Local Authority Business Growth Incentive Scheme (LABGI)

The LABGI scheme was introduced in 2005/06, for a three year period, and allows authorities to retain a proportion of any increase in business rates revenue above a certain level. For 2007/08 the forecast for LABGI is £3.46m which includes an original allowance of £2.75m of LABGI receipts. In addition Brent received an additional £710k as the government made additional grant payments in respect of 2005/06 and 2006/07 following a legal challenge by two local authorities in 2007. The government has deferred announcement of LABGI payments for 2007/08 whilst a full review is conducted because of previous legal challenges. A total of £400m is available for distribution nationally and, given the increase in rateable values in Brent as a result of completion of the Wembley Stadium, the council can reasonably expect budget assumptions to be met. However this remains a significant area of uncertainty.

Property repairs and maintenance

It is currently estimated that £200k of budgeted repairs and maintenance costs will not be spent in 2007/08.

General Fund Balances Carried Forward

- 4.16 The estimated position on balances carried forward is set out in Table 4.3 below.

Table 4.3 Estimated Balances Carried Forward 31st March 2008

	£'000	£'000
Budgeted balances at 31 st March 2007	9,124	
Betterment in 2006/07 final outturn	783	
Balances at 31 st March 2007		9,907
Forecast overspend on service area budgets	(2,424)	
Forecast under-spend on central items	2,764	
Budgeted Contribution from balances	(1,642)	
Net Contribution from balances		(1,302)
Estimated Balances C/Fwd		8,605

- 4.17 Forecast balances carried forward of £8.605m are above the council's target balances of £7.5m to £8m. The next section of the report makes recommendations on use of balances to support the 2008/09 budget.