

**LONDON BOROUGH OF BRENT**  
**MEETING OF THE EXECUTIVE - 21<sup>ST</sup> JULY 2003**  
**REPORT FROM THE DIRECTOR OF FINANCE**

**2003/2004 REVENUE BUDGET**

**1. SUMMARY**

- 1.1 This report updates Members on the latest position of the 2003/2004 Revenue Budget. This is the second in this financial year following an initial report on the Budget to the Executive on 28<sup>th</sup> April. It highlights a number of budget issues and risks which either require decision at this meeting or will need to be monitored closely.

**2. RECOMMENDATIONS**

That the Executive:

- 2.1 Note the latest budget per Appendix A.
- 2.2 Agree the virements as set out in Appendix B.
- 2.3 Agree funding for the Benefits recovery plan of £170k, and Social Services financial management improvements of £150k and agree that this package of £320k is met from £254k of the remaining remuneration budget and £150k from the saving generated from the Bed and Breakfast Task Force grant with the remaining £84k added to balances.
- 2.4 Re-iterate the instruction to officers that budgets must be contained within overall Service Area cash limits.

**3. FINANCIAL IMPLICATIONS**

- 3.1 The report sets out a number of pressures on the Revenue Budget 2003/2004 and hence the possible impact on the level of balances available.

**4. STAFFING IMPLICATIONS**

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

**5. LEGAL IMPLICATIONS**

- 5.1 The Executive has power to agree virements which are covered by the Virements Scheme in Part 6 of the Constitution provided it has received advice from the Director of Finance that after the virement reserves remain at prudent levels and no unfunded expenditure commitments arise in future

years. The Director of Finance confirms this is the case for the virements in Appendix B.

## 6. REVENUE BUDGET 2003/2004

6.1 Appendix A sets out the latest 2003/2004 revenue budget after the decisions by the Executive on 28<sup>th</sup> April and the virements for which approval is sought in this report.

### 6.2 Virements

6.2.1 Full Council on 3<sup>rd</sup> March 2003 approved an amended scheme of Transfers and Virements which allows the Executive to agree the virements in Appendix B. Members are therefore asked to agree the following virements.

#### 6.2.2 Transport for Pupils Aged 16-19

A report to Executive on 28<sup>th</sup> May agreed a new policy based on the pan London baseline. £20k of growth originally provided for this item, as part of the 2003/2004 budget process, is no longer required as funding has been provided by grant. This initial growth allocation will be transferred to balances.

#### 6.2.3 Remuneration Strategy

A report was presented to the Executive on 28<sup>th</sup> May outlining proposed arrangements to help the recruitment and retention of suitable skilled staff across a range of professions and disciplines. The following initiatives were agreed:

	<b>£'000</b>
Corporate Units	
Market Supplements for Contract Lawyers	15
Environmental Services	
Graduate Scheme Supporting Professional Training	75
Market Supplements for hard to fill posts in regulatory services	130
Social Services	
Social Workers Initiatives including link grades and retention allowances	226
Housing	
Surveyors - Retention Payments	40
Education, Arts and Libraries	
Advisors and Psychologists - Retention Payments	40
	<u>526</u>

Additionally £156k was allocated to the Revenues and Benefits Service to address pay and service differentials within the staff transferred from EDS

and a further £64k held against future recruitment and retention claims. This leaves an unallocated balance of £254k.

#### 6.2.4 Diversity

A budget of £200k was established to address diversity policies and practices across the Council. A team of 4 is being recruited whose responsibilities include insuring that services are provided which are sensitive to the needs of Brent's community. Funds will also be available to revise the Race Equality Scheme and provide support for "Respect Week". It is proposed that this budget is now transferred to Human Resources where the unit will be located.

#### 6.2.5 HRA Recharges

Members agreed a budget of £200k for 2003/2004 to reflect the relative additional proportion of costs falling on the General Fund as a result of the continuing reduction in the number of properties within the HRA. Discussions are still continuing with Housing on the final allocation of this budget in the light of the Service Level Agreements established by the Brent Housing Partnership with Service Area units. An initial transfer of £35k is sought related to Brent Energy Network.

#### 6.2.6 Agency Staff

A budget saving of £700k was assumed, when the 2003/2004 budget was agreed which was to be delivered around 4 main initiatives, to reduce spending on agency staff:

- (a) Improved Procurement Practices.
- (b) Improved and consistent management of agency staff across all service areas.
- (c) Improved recruitment and retention of permanent staff and hence reductions in agency staff.
- (d) Reduction in staff sickness levels and less reliance on agency staff.

This was stated as an area of high budget risk. At this stage the achievability of the target level of savings is uncertain and varies between Service Areas. However, there is a need to ensure that Service Area budgets are adjusted to reflect the target savings required.

Therefore the following amounts have been allocated:

	<b>£'000</b>
Corporate	123
Education, Arts and Libraries	82
Environmental Services	127
Housing	50
Social Services	347
	<u><b>729</b></u>

The additional sum of £29k is to be utilised to fund the costs of a procurement process for agencies to provide a specific service to Brent to supply certain categories of staff. This is expected to support the achievement of savings by service areas when in place.

This allocation is based on a number of factors:

- (a) An element proportional to the number of days sickness incurred.
- (b) Spend on agency staff in 2001/2002.
- (c) Size of staffing budgets in 2003/2004.
- (d) Level of allocation of budget from Recruitment and Retention budget as this should reduce reliance on Agency staff.

If Service Areas are not able to meet this target saving by a direct reduction in agency staff expenditure other savings will need to be considered from its other budgets. Service Areas are requested to report to Brent Financial Services on their progress in making these savings and any alternatives proposed. The consequences of such actions will be reported in the next budget report for the Executive to consider.

### 6.3 Service Area Issues

6.3.1 During the course of any financial year a number of factors emerge which put pressure on the resources allocated and require Service Areas to manage their budgets to ensure the overall total is not exceeded. A number of these risks were highlighted in the budget report agreed by Full Council on 3<sup>rd</sup> March. The following have emerged during the first quarter of the financial year:

(i) Corporate

(a) Benefits Service

There are two main issues:

- (1) There is another report on this agenda relating to the need for extra resources to ensure the clearance of backlogs. £170k is requested to address this.
- (2) There is pressure on the Housing Benefit Deficit budget as gross payments are rising significantly above inflation and overpayment recovery remains below that expected. By removing the backlog of claims less overpayments will be created and more resources can be concentrated on collection which will improve the position.
- (3) The possibility of a strike within the service will have both a direct impact on the service and budget. Additional costs will be incurred maintaining a service and the position will worsen rather than the expected improvement.

(ii) Education, Arts and Libraries

(a) Welsh Harp Environmental Education Centre

A report to the Executive on 23<sup>rd</sup> June set out a forecast deficit of £13k which is being met from other EAL budgets. This is set to increase in future years and a growth bid will be made in the 2004/2005 budget round.

(b) Cardinal Hinsley School

Cardinal Hinsley High School remains in special measures and had an accumulated deficit at 31st March 2003 of £943,000. Officers have been working closely with the school to turn the financial position around and it is expected that the deficit will reduce to no more than £750,000 by the end of 2003/2004. In order to bring the school out of special measures and address the financial difficulties at the school more robustly, an agreement has been reached with the DfES and the Governing Bodies of Cardinal Hinsley and the Convent Language College to form a Federation between the two schools. The Federation will be run by the Head of the Convent, who will effectively be the Head Teacher of both schools and there will be a single governing body. As a result of this the DfES has agreed to provide additional funding for the Federation of £360,000 in 2003/2004 and £393,000 in 2004/2005. It is expected that this change in management will enable Cardinal Hinsley School to turn around both educationally and financially and achieve financial solvency by the end of 2006/2007.

(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 rise in the number of referrals from 67 in January 2002 to 90 in May 2003 coupled with an increase in the average time pupils are remaining on tuition. There is a potential overspending of around £100k forecast, which 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.

(d) Festivals

There is another report on tonight's agenda that sets out a number of issues, particularly in respect of Health and Safety at the Diwali festival. It will require growth of £60k in this financial year to run the full programme of festivals at a similar level to those of previous years. The report provides a number of options on how this is to be funded.

(iii) Environmental Services

(a) Refuse Contract Indexation

Price indexation for 2003/4 equates to £395K (6.69%) 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 2% inflation i.e. £118K plus a further £160K for indexation in excess of RPI. This leaves a shortfall of £117K.

Measures are being taken to cover this overspending from savings in other budgets.

(iv) Housing

(a) Bed and Breakfast Accommodation

In agreeing the 2003/2004 budget it has been assumed that Brent would receive £1m of grant from the Bed and Breakfast Task Force to help reduce the number of families in this form of accommodation. In fact when notification was received an amount of £1,340k was available. This provides additional capacity to fund new initiatives and it is felt that a further saving of £150k on the Bed and Breakfast budget could now be achieved. This is subject to a number of risks and variables and close monitoring will be required to ensure the revised target is being met. An update will be provided in the next monitoring report.

(b) Supporting People

An exercise is currently underway to supply information to ODPM of all those clients in receipt of Transitional Housing Benefit at 31<sup>st</sup> March 2003. If clients are excluded by the deadline date of 31<sup>st</sup> July it will lead to a shortfall in Supporting People Grant Funding.

(v) Social Services

(a) Improvements in Financial Management

Significant efforts and progress have been made to improve the quality of financial management within the Department to prevent a repeat of the 2002/2003 overspend. This has involved in recent months ensuring the robustness of 2003/2004 budgets and that effective monitoring processes are in place. This has required the temporary recruitment of high level resources to undertake the additional workload. Also as the report on this agenda sets out a new post is being established of Assistant Director (Finance and Resources).

It has been agreed that given the importance of these projects to the overall finances of the Council £150k should be made available to help fund the work to date and the new post.

(b) Service Issues

Although substantial growth was allocated to Social Services the nature of the service is such that there is huge service and cost volatility. The services 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 information mean that Managers become aware of problems earlier but costs may not be containable particularly in the short term.

(vi) Other Issues

(a) West London Waste Authority

Each year Brent pays charges to the West London Waste Authority (WLWA) in addition to the levy. These charges are based on the amount of household waste we are estimated to have delivered to WLWA. This is calculated by giving an allowance for each household which can be delivered “free” on the levy. Figures for the number of households were not updated by the G.L.A. for two years so WLWA continued to use old household numbers. New household numbers have now become available and they show that Brent would save approximately £187,000 for the current year with a corresponding saving in future years if the latest figures are used. WLWA have decided not to amend the household numbers in their formula for calculating what is non-household waste for the current year. They are discussing updating the data or amending the formula in other ways for the next financial year which are likely to be less beneficial to Brent.

The Council’s legal advice is that the formula should be updated for 2003/2004 to take account of latest household numbers or move to a formula which is more accurate still. The first quarter’s bill is expected in the next few weeks. In view of our legal advice we will be unable to pay this bill in full. This could lead to arbitration between Brent and WLWA. If as we expect the arbitrator agrees with our legal advice, there will be savings in the current financial year.

(b) Claims by Third Parties

The Council is involved in a number of cases where claims have been made and although these are being resisted there is a risk that an award may be made or settlement reached which requires funding. They include claims for loss of profit and return of Section 106 monies.

## 7. LEVEL OF BALANCES

7.1 The table below sets out the latest position with the Council's balances.

	£'000	£'000
Balances Carried Forward from 2002/2003	1,118	
Contribution to Balances Agreed in Budget	<u>3,081</u>	
		4,199
Adjustments:		
Education Transport	20	
Benefits Recovery Plan	(170)	
Social Services Financial Management	(150)	
Remuneration Strategy	254	
Bed and Breakfast	<u>150</u>	
		104
<b>Current Balances</b>		<u><b>4,303</b></u>

## 8. CONCLUSION

8.1 The overall position remains difficult. Balances have been maintained at the level assumed when the budget was set but pressures on existing budgets have emerged across all Service Areas.

## 9. BACKGROUND INFORMATION

1. Council Meeting, 3<sup>rd</sup> March 2003, Budget Report.
2. Executive Meeting, 28<sup>th</sup> April 2003, 2003/2004 Revenue Budget.
3. Executive Meeting, 28<sup>th</sup> May 2003, Transport for Pupils Aged 16-19.
4. Executive Meeting, 23<sup>rd</sup> June 2003.
5. Budget Working Papers.

Any person wishing to inspect these documents should contact Committee and Member Services, Room 106, Brent Town Hall, Forty Lane, Wembley, Middlesex HA9 9HD. Tel. 020 8937 1353.

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