

LONDON BOROUGH OF BRENT
EXECUTIVE MEETING - 16TH AUGUST 2004
REPORT FROM THE DIRECTOR OF FINANCE

FOR ACTION

ALL WARDS

FP REF: BFS-03/04-82

THE 2003/2004 PROVISIONAL REVENUE OUTTURN

1. SUMMARY

- 1.1 This report sets out the provisional revenue outturn for 2003/2004. It shows an improvement in the position to that assumed when the budget was set.
- 1.2 All figures remain provisional and are subject to further verification and audit.

2. RECOMMENDATIONS

- 2.1 Note the provisional outturn.
- 2.2 To defer consideration of the requests for carry forwards detailed in Section 6.3.
- 2.3 Agree that all other underspendings, apart from those agreed in recommendation 2.2, will be added to balances and no other carry forwards will be agreed, unless in specific earmarked reserves.

3. FINANCIAL IMPLICATIONS

- 3.1 There is a potential improvement of £3.24m in the provisional outturn compared with that forecast when the 2004/2005 budget was set. Section 7 of the report highlights a number of risks, which coupled with decisions on carry forward balances, could reduce this betterment to £969k.

4. STAFFING IMPLICATIONS

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

5. DIVERSITY IMPLICATIONS

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

6. DETAIL

6.1 2003/2004 PROVISIONAL OUTTURN

6.1.1 The Full Year Outturn for 2003/2004 is set out in summary in Appendix A. There are 3 main columns of financial information:

- (i) The Full Year Forecast presented to the Budget Setting Council meeting on 1st March. (Column 1)
- (ii) The Provisional Outturn. (Column 2)
- (iii) The Variance between columns one and two above. (Column 3)

6.1.2 The audit of the 2003/2004 accounts is scheduled to begin this month and will need to be completed by the end of November. The figures also are currently being reviewed by Brent Financial Services and are therefore subject to amendment from these two factors. A particularly significant variance could emerge from grant claims. (See Section 7).

6.1.3 Appendix A shows that there has been a potential net decrease in expenditure of £3.24m compared with that forecast to the Council Meeting on 1st March 2004. This has led to a corresponding increase in balances carried forward into 2004/2005. These now amount to up to £5.15m. There is a significant risk that this figure will eventually be reduced. (Also see Section 7). A breakdown of the significant variances is set out in the next section of the report.

6.2 MAIN FEATURES OF 2003/2004 OUTTURN

6.2.1 Service Area Budgets

The main changes from the latest forecast budget are as follows:

(i) Corporate Units and Revenues & Benefits

The variance can be mainly attributed to an increase in the benefits deficit of around £500k from the latest estimate. This resulted primarily from overpayments being generated by the backlog of claimants and their subsequent clearance. Rigorous action is now being taken to recover these overpayments which should assist the 2004/2005 budget position.

(ii) Education, Arts and Libraries (EAL)

The final position was £900k better than the full year forecast. As reported to Members at the Council Meeting on 1st March a prudent view had been taken of the forecast position and that it was hoped that actions being taken would generate compensating savings and this has been the case. The Standards Fund is now reported to be £477k less than anticipated as a result of underspends from 2002/2003 schemes and delays in starting 2003/2004 schemes. Additionally adjustments to

commitments for the 2001/2002 and 2002/2003 SEN Out Borough Placements and recharges to the Primary Care Trust and Social Services have seen savings of £276k.

(iii) Environment

There were minimal changes between the forecast and actual.

(iv) Housing

The favourable variance of £112k related primarily to a saving of £92k in respect of the Supporting People administration costs.

(v) Social Services

Following a significant overspend in 2002/2003 the budget for 2003/2004 was increased by £9.297m to ensure a sound base position and to fund new responsibilities. Financial Management has also been strengthened and this is reflected in the Service Area spending within its budget.

6.2.2 Central Items

Most budgets were at or close to the full year forecast. There is less volatility involved for central items as figures are finalised earlier in the financial year. There are however three significant variances:

(i) Preserved Rights

This relates to Social Services clients who were in residential care prior to 1993 and financial responsibility transferred to the Council on 1st April 2002. It was anticipated that expenditure could be significantly higher than the grant payable by the Government (£2.1m). However, experience and information, when setting the budget, was limited. Full Council took a prudent view when setting the 2003/2004 budget and established an additional budget to meet the then “*worst case*” estimated level of expenditure. In the event this was not required and has contributed to the overall underspend.

(ii) Capital Financing Charges

Members have recently been informed in the “*Annual Treasury Management Report*” of the saving made by lower interest rates and debt restructuring which amounted to £1.2m.

(iii) Other Items

This is a net position on a number of smaller budgets. The Council also gained a “*windfall*” payment of £316k relating to the deferred purchase/advance payment scheme entered into in the mid-1980’s which has been the subject of long negotiations with the banks. This has benefited the outturn position.

6.3 TREATMENT OF UNDER/OVERSPENDINGS

6.3.1 It is the Council's policy, included in the Financial Regulations that at the time the accounts are closed each year an examination of the potential for allowing some part of any underspends to be released to service areas is made. The extent that it is possible will depend on the overall financial position, including the pressure on capital resources. It must also be linked to specific proposals.

6.3.2 Members should consider the experience of the pressures in demand led budgets in Social Services and Education over the last two years, and the need to retain balances for other unforeseen events both in 2004/2005 and future years.

6.3.3 The following requests for carry forwards have been received:

(i) Legal Services had a surplus in 2003/2004 of £80k and have asked for a carry forward of £40k. This will enable Legal Services to take on a trainee Article Clerk. This would be another measure in helping staff recruitment and retention when the service is having real difficulties in recruiting to many 'lawyer' positions. The position would be for 18 months to 2 years. The costs of the post could probably be recouped by being able to charge time against that person, certainly in the second year. So the funding of £33k would only be necessary for the first year. In addition £7k is being requested for the staff time involved in running a school leavers programme in conjunction with schools in Wembley where sixth form pupils attend lectures from our lawyers and make Court visits. This involvement in the community is good public relations for the Council and encourages the schools to use our services more.

(ii) Human Resources achieved a surplus of £129k in 2003/2004 and they are requesting that the entire amount is carried forward to cover three items:

(a) Senior Managers Development Programme

Due to the late start of the programme, a number of course modules have not been delivered and billed for within 2003/2004 timescales as expected. In addition, for part of the programme, it was the intention to provide individual coaching to members of the course and this has yet to occur. An additional £70k would be required to meet these costs.

(b) Workforce Development Plans

Workforce planning and the production of workforce development plans, are a priority for the Authority. Human Resources were unable to provide this training in 2003/2004 and therefore have not been able to ensure that managers have developed the

necessary skills in this area. To enable this piece of work to be undertaken a further £30k would be required.

(c) Staff Survey

No budget provision was built into 2004/2005 budget to allow the next Staff Survey to take place. Work is undertaken in January – March to ensure distribution, collection and analysis to take place for feedback by the July Awaydays. It is estimated that £30k will be required to ensure the Survey is undertaken in 2005. A further £9k is also requested in respect of costs billed in 2004/2005 for the previous survey.

The total carry forward requested from Human Resources totals £139k. If all elements are agreed by Members then individual spends will be scaled down accordingly.

- (iii) The Future of Wembley budget had an underspend of £102k. There is expected to be additional demand on this budget over and above its £350k budget for 2004/2005 given current activity on the whole site.

6.3.4 Members have indicated that they wish these items to be considered as part of the overall process for examining growth.

7. POSITION OF BALANCES

7.1 GENERAL FUND BALANCES

There are a number of risks which could worsen the initial outturn position set out in Appendix A.

7.1.1 It is highly likely that the Council could lose up to £1.4m of the Unaccompanied Minors grant which is part of the Asylum Seekers regime. This relates to both 2002/2003 and 2003/2004. Grant conditions were stiffened by the Home Office in mid-2002, which potentially disallows local authorities from claiming all costs that are felt to be legitimate expenditure in providing an appropriate service for unaccompanied minors. This primarily is indirect costs and overheads. The Home Office also has to issue final information on eligible clients for both years which it has yet to do. Therefore a final claim cannot be submitted or audited. Representations to the Home Office are being both directly by local authorities and the associations on this issue. In order to maintain Brent's claim to this grant the outturn figures for both years assume the higher level of grant will be payable.

7.1.2 Therefore a position, whereby £2m of adjustments to grant claims will eventually be made relating to these claims and others such as Housing Benefit, has been taken in this report. This is regarded as both reasonable and prudent. The position will become clearer as the audit progresses.

7.1.3 Based on the carry forward requests in Section 6.3 being agreed additionally in the future, the position of General Fund balances is as follows:

	£'000
Balances available (per Appendix A) at 31 st March 2004	5,150
Less C/Fwd	(271)
Less Potential Audit Adjustments	(2,000)
Total Balances Carried Forward	<u>2,879</u>

This is therefore a better than forecast position of £969k.

7.2 SCHOOLS BALANCES

The balances available to schools is as follows:

	£'000
31 st March 2003	2,737
31 st March 2004	2,362
	<u>375</u>

There has thus been a reduction of £375k over the course of the financial year (13.7%).

8. CONCLUSIONS

8.1 The Statement of Accounts, prior to audit, was presented to the General Purposes Committee on 4th August. All figures therefore remain provisional. It is however pleasing to report an improvement in the position to that previously assumed.

9. BACKGROUND INFORMATION

Report 2004/2005 Budget and Council Tax and Minutes of the Council Meeting on 1st March 2004.

Report 2003/2004 Statement of Accounts – General Purposes Committee 4th August 2004.

Treasury Management Annual Report 2003/2004 – Executive 12th July 2004.

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

DUNCAN McLEOD
Director of Finance

APPENDIX A ON
EXCEL SPREADSHEET