

LONDON BOROUGH OF BRENT**Meeting of the Executive - 13th December 2004****Report from Director of Finance**

For action

Wards affected:
ALL**Report Title: REVENUE BUDGET 2004/2005 MONITORING REPORT**

Forward Plan Ref: BFS-04/05-87

1. INTRODUCTION

- 1.1 This report sets out the latest position on the 2004/2005 Revenue Budget which was originally agreed by Full Council on 1st March 2004.
- 1.2 It also seeks approval for a number of virements and other budget transfers.

2. RECOMMENDATIONS

- 2.1 Note the final position on the 2003/2004 General Fund and Schools Balances detailed in Section 3.1 and agree the proposed treatment of audit adjustments.
- 2.2 Note the latest budget in Appendix A.
- 2.3 Agree the virements in Appendix B.
- 2.4 Agree to the change in budgets detailed in Section 3.3.
- 2.5 Note the current position on General Fund balances in 2004/2005 in Section 3.4.

3. DETAIL**3.1 2003/2004 BALANCES****3.1.1 2003/2004 General Fund Balances**

A report to the General Purposes Committee on 24th November included a revised set of final accounts as agreed by our auditors PricewaterhouseCoopers.

As a result of the audit general fund balances carried forward into 2004/2005 have increased to £4.695m. This is an improvement of £1.816m from the betterment of £969k reported to the Executive on 14th September. At that time a prudent view was taken of the potential adverse impact of audit adjustments which have not fully materialised.

With the exception of an amendment to HRA capital charges most of the adjustments identified in the Audit related to timing differences between financial years and where appropriate, these items will be recovered from Service Areas to ensure that general fund balances are maximised. Members are asked to endorse this approach.

3.1.2 2003/2004 Schools Balances

Schools Balances have increased by £93k to £2,455k following the audit adjustments.

| | £'000 |
|-----------------------------|--------------|
| 31 st March 2003 | 2,737 |
| 31 st March 2004 | 2,455 |
| | <u>282</u> |

There has been a reduction of £282k over the course of the financial year (10.3%).

3.2 **2004/2005 BUDGET**

3.2.1 Appendix A sets out the latest 2004/2005 budget. This reflects the virements and decisions agreed up to the Executive meeting on 14th September.

3.2.2 The Appendix shows the latest forecast spending for 2004/2005. The Budget Report in March included a number of areas of likely risks and as always other areas of budget pressures have emerged. These are set out in more detail below.

(A) Corporate

(i) Housing Benefit Deficit

New subsidy regulations were introduced from 1st April 2004 regarding local authority overpayments. Previously, no subsidy was received on such overpayments, but from April 2004 the Government has set a threshold below which there will be no subsidy penalties. In 2004/05 if such overpayments are below 0.48% of total benefit expenditure there is no subsidy loss. If the figure is between 0.48% and 0.54%, there is a 60% subsidy penalty on all of these overpayments, and above if 0.54% there is a 100% subsidy penalty on all overpayments. The effect of breaching the 0.54% threshold would be at least £600,000 (depending on the total of these overpayments). In previous

years, Brent was below the 0.48%, so would have suffered no subsidy loss, but in 2003/04 the figure was above the 0.54%, (partly due to clearing out previous backlogs) and the full subsidy loss would have been incurred.

The position is being monitored closely and at this stage we are below the threshold at 0.44%, but this remains an area of high risk.

(B) Education, Arts and Libraries

(i) Special Education Needs (SEN)

In 2003/2004 Education Arts and Libraries experienced a number of demand led pressures on its budgets. In particular there was an overspend of £857k on SEN Out of Borough Placements due to increasing numbers and rises in independent special school fees. The situation was exacerbated by pupils moving into the Borough where Brent had to assume financial responsibility for either a day or residential special school placement.

For 2004/2005 £1.7m of additional growth was agreed for SEN Out of Borough placements and this has ensured the situation has stabilised. It is expected that the cost of placements will remain within budget for this financial year as will the overall Education, Arts and Libraries budget.

(C) Environment

(i) Willesden Sports Centre PFI

As reported to the September Executive legal and other professional advice will exceed the budget by up to £200k. The option of applying for additional credits from Department of Culture, Media and Sports is not available so other funding options are currently being investigated.

(ii) Parking Control Account

A large number of parking meters were vandalised earlier in the year leading to a shortfall of meter income and a reduction in the number of PCN's issued when meters were taken out of action.

The number of PCN's issued has been running well below the assumed budget all year. There has been some improvement in September and October although it is still only running at 85% of budget for the year to date. This level of shortfall throughout the year would lead to an overspend of £959k.

However various measures are being taken to reduce the problem. These include:

- Getting manufacturers to improve security, alarm system, reinforcing vault doors, etc.
- Getting the control room to monitor meters on CCTV at night.
- Considering mobile-CCTV monitoring.
- Strengthening the base with deeper installations.
- Organising a daily collection of cash from more productive meters.

The net income from the Parking Control Account is used to fund a number of highways and street scene improvements. Some of these initiatives will need to be halted to reflect this loss of income to reduce the anticipated budget gap. This is currently being reviewed. Appendix A reflects a full £959k shortfall offset by a number of smaller underspends.

(D) Social Services

A report was brought to the Performance and Finance Select Committee on 16th November setting out the position of the Social Services revenue budget at the end of September 2004.

The Service Area has budget pressures in a number of areas and other underspendings leaving a forecast overspend of £355k (allowing for the use of the budgeted contingency) before further action can be taken.

The three most significant areas of overspend are:

- (i) £541k arises following the review of clients jointly funded by Brent PCT and Social Services. These reviews identified that all of the care needs of these clients was for social care and the agreement with the PCT means that the full cost will fall on the Council.
- (ii) £437k occurs in services for people who are physically disabled. Of this, £204k relates to costs previously borne by the PCT with the balance being due to higher levels of placements.
- (iii) A further £401k has arisen because of delays in implementing some of the savings planned for 2004/2005.

Management action is being taken to bring spending down and ensure that the contingency is available to deal with unbudgeted activity that may arise later in the year. The clear goal is to continue to deliver high quality services and remain within the department's cash limit for 2004/2005.

(E) Central Items

(i) Advertising and Sponsorship

There is an overall budget of £119k for income derived from advertising and sponsorship. It had been anticipated that a significant proportion of this would be derived from advertising on lampposts. However, a number of planning applications to install such adverts have been submitted and refused. Although further applications may be submitted the Council's full share of the income will not be forthcoming. Alternative sources for funding this budget are being sought.

(ii) Leasing Income

Brent operates a system of internal leasing where items are funded from the Capital Programme which would otherwise have been financed from an operating lease. Service areas and units are then charged an annual rental based upon market rates over the life of asset and this budget is the revenue resulting from the internal leasing costs. Estimates for 2004/2005 assumed a decline in leasing income but additional leasing of computer equipment in Social Services and the telephone network have resulted in a substantial increase in income for 2004/2005 up to £450k over an original estimate of £250k.

3.2.3 Members are reminded that it is expected that each Service Area will manage their budgets to ensure that no overall overspending occurs.

3.3 OTHER BUDGET ISSUES

3.3.1 Freedom of Information Act

The Freedom of Information Act comes into force on 1st January 2005 and a separate report is being brought to this Executive Meeting. The report identifies £60k of potential costs that may arise during 2004/2005. Of these costs £36k is to be met from within the ITU budget and the E-Government programme. The remaining £24k provides for temporary administrative support, legal advice and expenses in raising staff awareness. However, spend in this area will depend upon how great an initial demand occurs for information, because of this uncertainty ITU are not requesting additional monies but are asking approval to overspend their current budget by up to £24k if this becomes necessary.

3.3.2 Older Peoples' Services

As part of the routine management of the department's budget in 2004/2005 in-year savings of £374k were identified within Older Peoples' Services purchasing budgets. These budgets are used to provide homecare or residential care for older people who meet the Council's eligibility criteria.

Savings have to be targeted at Service Areas where there is turnover of clients and older people is one of the few areas in the department with any significant turnover. However, achieving savings of this quantum is likely to have an impact by increasing the numbers on waiting lists and waiting times. Members have indicated that they wish to increase the department's budget by £374k in order to prevent any deterioration in waiting times. This will be funded from the increase in balances per 3.3.4.

3.3.3 Senior Managers' Development Programme

A number of requests for carry forwards were brought to the Executive on 16th August and Members agreed to defer making a decision. Members are now being asked to consider this item where no other funding has been identified.

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.

3.3.4 Reduction in Provision for 2004/2005 Pay Award

As part of the budget setting process for 2004/2005 a pay award for officers salaries of 3.5% was assumed. The actual agreed 3 year pay award was 0.75% lower at 2.75% thus resulting in a £579k saving to the Authority as detailed below:

| | £'000 |
|---|------------------------|
| Corporate | 146 |
| Education, Arts and Libraries (excluding schools) | 85 |
| Environment | 138 |
| Housing | 42 |
| Social Services | 168 |
| | <hr/> 579 <hr/> |

It is proposed that the saving is used to increase general fund balances by £579k with Service Area budgets reduced accordingly. The effect of this reduction has also been incorporated into future year cash limits as part of the 2005/2006 budget setting process.

3.4 **GENERAL FUND BALANCES 2004/2005**

3.4.1 This report identifies two requests for additional monies totalling £444k which can be funded from the £579k of additional monies available from the reduction in the provision for 2004/2005 pay award.

3.4.2 Appendix A of the report identifies a current net overspend of £59k for 2004/2005 primarily within Environment. The table below details the current position on general fund balances for 2004/2005.

| | £'000 | £'000 |
|---|--------------|---------------------|
| General Fund Balances C/Fwd 2003/2004 | | 4,695 |
| Contribution to Balances at 14 th September Executive | 2,090 | |
| Add: | | |
| Reduction in Provision for 2004/2005 Pay Award | 579 | |
| | <u>2,669</u> | |
| Less: | | |
| 2004/2005 Budget Overspend | <u>(59)</u> | |
| | | <u>2,610</u> |
| | | 7,305 |
| Less: | | |
| Older Peoples Services | (374) | |
| Senior Managers Development Programme | <u>(70)</u> | |
| | | <u>(444)</u> |
| General Fund Estimated Balances 31st March 2005 | | <u>6,861</u> |

There may be a further call on balances of £24k depending on whether the additional monies for Freedom of Information are required.

4. FINANCIAL IMPLICATIONS

4.1 The detail of the report is fully about the finances of the Council.

5. LEGAL IMPLICATIONS

5.1 The Executive has power to agree virements which are covered by the Scheme of Transfers and Virements 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 virements in Appendix B.

5.2 The Executive has power under the Scheme of Transfers and Virements, on recommendation of the Director of Finance, to approve transfers from reserves (balances) to the general fund for the purposes of the efficient management of the Council's affairs, for example to cover anticipated overspends on particular Unit budgets.

6. DIVERSITY IMPLICATIONS

6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

7. STAFFING IMPLICATIONS

7.1 These are contained in the body of the report.

8. SUMMARY

8.1 As there is still a significant part of the financial year to go, close monitoring will be maintained with regular reports to Members. There still remains a high level of risk within the budget and Management action is required to keep spending within budget.

9. BACKGROUND PAPERS

1. Council Meeting, 1st March 2004, Budget Report.
2. Budget Working Papers.
3. Report to Executive, 14th September 2004, Revenue Budget 2004/2005.
4. Report to General Purposes Committee, 24th November, 2003/2004 Statement of Accounts.
5. Performance and Finance Select Committee, 16th November 2004, Social Services Revenue Budget 2004/2005 Monitoring Report.

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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