

SECTION 3

3. THE PROBABLE OUTTURN 2012/13

Introduction

- 3.1 This provides information on forecast spending in 2012/13.
- 3.2 At the end of quarter three the forecast position is for a net underspend on service area budgets of £665k and an underspend of £1.060m on central items and Government Grants. This is an improvement of £658k on quarter 2 underspend of £67k after taking account of a £1m transfer to earmarked reserves to help meet the additional cost pressures on the temporary accommodation budget in 2013/14. The main reasons for this are improvements in the outturn position for Adults Social Services, Regeneration and Major Projects and Central Items. The result is that, on the basis of forecasts at the end of quarter 3, general fund balances at 31st March 2013 will be £12.041m. This is £961k better than the originally budgeted balances of £11.080m.

The 2012/13 Budget Forecasts

- 3.3 The council set a General Fund revenue budget of £260.392m for 2012/13 including a planned contribution of £1m to balances. Estimated balances at 31st March 2012 were set at £10.080m. The planned contribution to balances would have increased the carry forward at 31st March 2013 to £11.080m. However, based on the 2011/12 final outturn the forecast is now £12.041m.
- 3.4 Table 3.1 below summarises the forecast outturn which is set out in more detail in Appendix A(i). The underspend of £725k now forecast increases the contribution to balances from £1m to £1.725m with the general fund balances at 31st March 2013 now forecast to be £12.041m.

Table 3.1 2012/13 Forecast Outturn

	Latest Position Over/(Under) Spend	
	£'000	£'000
Service Areas		
Adult Social Services	86	
Children and Families	50	
Environment and Neighbourhoods	468	
Regeneration and Major Projects	(1,000)	
Central Services	(269)	
Transfer to reserves	1,000	
		335
Central Items / Government Grants		(1,060)
Net Overspend		(725)

3.5 The following paragraphs provide detailed explanations of the variances on service areas.

3.5.1 Adult Social Services

Current forecasts are that the outturn overspend will reduce to £86k, some £452k less than the forecast of £538k at quarter 2. The department is working hard to identify new areas to bring this down further, so that at year end it hopes to have a balanced budget position. The financial pressure in 2012/13 relates to the shortfall in funding for transitions over the last two financial years, a pressure of £1m and the department has worked continuously to reduce this with compensating underspends in other areas of the budget such as:

- Keeping vacancies unfilled and not recruiting agency staff.
- On off top slicing of grants to voluntary organisations in relation to care services and HIV/Aids services.
- Additional agreement on capitalisation of occupational therapy costs.
- Agreement from the PCT for funding of staff costs for the memory clinic and for historic rent and service charges

3.5.2 Children and Families

The service area is currently forecasting an overspend of £50k, a change of £38k on the £12k overspend reported in quarter 2. There continue to be pressures on the children's social care purchasing and placement budget although steps have been taken during the year to reduce these costs.

3.5.3 Environment and Neighbourhood Services

Environment and Neighbourhoods is currently forecasting an overspend of £468k for 2012/13. The projected tonnages on waste and recycling have increased since quarter 2 and current forecasts are for a £796k overspend predominantly around higher than anticipated tonnages for residual waste to landfill. There continue to be issues over staffing costs following the wave 2 staffing and structure review and a shortfall in highways and licensing income. To meet the overspend £443k of balance sheet deposits and provisions no longer required will be written back. Negotiations are also taking place with Veolia to achieve lower gate fees, a reduction in vehicle costs and a review of rounds. Action is also being taken to review agency and freeze vacant posts and non essential spend. Overall the position is £316k worse than quarter 2.

3.5.4 Regeneration and Major Projects

The main pressure within Regeneration and Major Projects was envisaged at the start of the year to be the housing benefit scheme changes resulting from the introduction of the Local Housing Allowance caps in April 2011. Temporary Accommodation budget includes growth of £1.134m in order to assist in managing the cost pressures and increased service demand. The pressures on the temporary accommodation and housing benefit budgets are not as high as projected and it is currently showing an underspend of £861k in total. The forecast outturn is now expected to be £1.0m an improvement of £500k on the quarter 2 position. It is proposed that expected surplus on Regeneration & Major Projects for 2012/13 will be set aside in a reserve to help meet the additional temporary accommodation pressures in 2013/14.

3.5.5 Central Services

The forecast outturn position remains unchanged from the quarter 2 position of a £269k underspend. This covers an underspend on vacant posts in the policy area of Strategy, Performance & Improvement.

3.6 Central Items

This breakeven position on central items is made up of various underspending and overspending items as follows:

Table 3.2 Central Items

	£'000
Capital Financing	(1,177)
West London Waste Authority Levy	550
Premature Retirement Compensation	(150)
Carbon Tax	(237)
Government Grants	(46)
Total	(1,060)

3.6.1 Capital Financing

The underspending of £1,177k on capital financing reflects the successful debt restructuring exercises in previous years, new borrowing at lower than anticipated interest rates, higher than estimated interest receipts and improved cash flow. The current low level of interest rates continues to be beneficial to this budget.

3.6.2 West London Waste Authority Levy

This overspend of £550k remains unchanged from that reported in quarter 2.

3.6.3 Premature Retirement Compensation

These are the historic costs chargeable to the general fund of staff who retired early and the underspend of £150k represents the on-going reduction in the number of pensioners to which this applies.

3.6.4 Carbon Tax

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a mandatory UK-wide scheme that is designed to incentivise large public and private sector organisations to take up cost-effective energy efficiency opportunities through the application of reputational and financial drivers. The carbon tax is paid in arrears and the outturn for 2011/12 has turned out to be lower than expected with a total payment of £279k of which £212k was applicable to schools. This pattern of spend is unlikely to change in 2012/13 therefore a projected underspend of £237k is being assumed against this budget.

3.7 **2012/13 Virements**

A number of transfers for members' approval are included in Appendix A(ii) relating to quarter 3. These transfers are for the consolidation of budgets for the transfer of the emergency duty budget, adjustments to rent, customer services and the employee benefits project.

General Fund Balances Carried Forward

3.8 The estimated position on balances carried forward is set out in Table 3.3 below.

Table 3.3 Estimated Balances Carried Forward 31st March 2013

	£'000	£'000
Balances at 1st April 2012		(10,316)
Forecast underspend on service area budgets	(665)	
Transfer to Reserves	1,000	
Forecast position on central items	(1,060)	
Budgeted contribution to balances	(1,000)	
Net contribution to balances		(1,725)
Estimated Balances C/Fwd		(12,041)