

## SECTION 4

### 4. THE PROBABLE OUTTURN 2009/10

#### Introduction

- 4.1 This section of the report summarises the 2008/09 outturn and provides detailed information on forecast spending in 2009/10.
- 4.2 At the end of quarter three the forecast position is for a net overspend on service area budgets of £2.188m and a forecast underspend on central items and Area Based Grant of £3.564m, resulting in an overall surplus position of £1.376m. This is an improvement of £1.593m on quarter 2 where the forecast net overspend was £217k. The main reasons for this are an improvement of £2.614m in central budgets - primarily in capital financing charges. This has been offset by a deterioration of £1.021m in the position on service area budgets. This is principally due to a worsening of £550k in the Children and Families forecast because of additional placement costs and added IT spend and an increase of £498k in the overspend on Environment and Culture mainly due to reduced parking income and the effects of the bad weather. The result is that, on the basis of forecasts at the end of quarter 3, general fund balances at 31<sup>st</sup> March 2010 would be £8.908m. This is, £1.408m more than the budgeted balances of £7.5m and it is proposed that this will be used as a contribution from balances in the 2010/11 budget. (See Section 5)

#### The 2008/09 Final Position

- 4.3 The 2008/09 budget report forecast General Fund balances at 31<sup>st</sup> March 2009 of £8.013m. Following completion of the audit of the accounts at the end of September 2008, General Fund balances were confirmed as £8.054m at 31<sup>st</sup> March 2009. This was betterment of £41k.

#### The 2009/10 Budget Forecasts

- 4.4 The council set a General Fund revenue budget of £261.836m for 2009/10 including a planned contribution of £500k from balances. Estimated balances at 31<sup>st</sup> March 2010 were set at £7.513m. This was based on the forecast balances brought forward at 31<sup>st</sup> March 2009 of £8.013m less the estimated use of balances during the year of £500k. At the July Executive Members agreed that £22k of monies were needed to fund the Wembley by-election and that this should be met from balances thus increasing the planned contribution from balances to £522k.
- 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 £1.376m which will increase the contribution to balances to £854k.

4.6 **Table 4.1 2009/10 Forecast Outturn**

	Latest Position Over/(Under) Spend	
	£'000	£'000
<b>Service Areas</b>		
Children and Families	950	
Environment and Culture	1,148	
Housing and Community Care	90	
Finance and Corporate Resources / Central Units/Business Transformation	(0)	
		2,188
<b>Central Items</b>		(3,564)
<b>Net Underspend</b>		<b>1,376</b>

4.7 The following paragraphs provide detailed explanations of the variances.

4.7.1 Children and Families

One of the major risk areas to the budget are the cost of children's placements for children in care and costs associated with children with disabilities. The children's placement budget anticipated at the start of the year a reduction in the number of looked after children and a greater proportion of those children being placed with Brent foster carers. However, the number of placements with Brent carers fell from 90 to 79 between the first and second quarters. Also the third quarter has seen little change in the total number of looked after children at 349 only one less than the second quarter. Since the first quarter, work has been undertaken to identify savings to minimise the overspending. This allowed the forecast outturn to come down to £400k at the end of the second quarter. There were for example one-off savings from unaccompanied asylum seekers grant; Building Schools for the Future and better use of the Sure Start grant. In addition service managers have identified in year savings most of which were the result of a vacancy freeze and a reduction in some smaller budgets. Although the numbers of looked after children have remained stable, a number of high cost cases including 4 children being held in secure accommodation are now included in the figures. These additional placements together with higher than expected IT costs mean the forecast outturn is projected to rise by £550k to £950k by the end of the year. In addition to the factors raised above there are risks associated with a House of Lords judgement (the Southwark judgement) last year on homeless 16 and 17 year olds , who are now classified as children in need.

#### 4.7.2 Environment and Culture

The most significant issue in Environment and Culture remains the effect of the recession on the level of income across the service area. The third quarter has seen the forecast overspend rise by £498k to £1.148m. This is primarily due to a deterioration in parking income with the deficit rising to £1.3m. The number of PCNs issued in November and December has dropped sharply and there was a significant fall in on street meter income in December. The poor weather at the beginning of the year is also likely to have an impact on January's figures. The bad weather has also had an effect on Transportation with higher than expected winter maintenance costs and an increase in the expected costs of repairing potholes and patching costs.

#### 4.7.3 Housing and Community Care

The forecast for the third quarter has improved by £27k with an overspend of £90k now forecast for Adult Social Care. Significant pressures continue to impact on the budget these include the increasing demand for care services, and delayed hospital discharges. These cost pressures are being offset from savings linked to the transformation programme.

#### 4.7.4 Finance and Corporate Resources/Central Units/Business Transformation

Benefit payments have increased significantly since 2008/09 with a 17% increase in caseload and a substantial rise in rent levels linked to the introduction of Local Housing Allowances (LHA). Although most of these costs are recovered by government subsidy there are subsidy penalties relating to non-recoverable claimant overpayments. It is now projected that the costs of overpayments will increase by around £750k. The corporate units are still expected to breakeven overall as a result of compensating savings from service units.

#### 4.7.5 Central Items

The forecast net budget shortfall on service budgets of £2.188m is offset by a forecast net surplus on central items of £3.564m. The net surplus on central items is made up of various underspending and overspending items as follows:

**Table 4.2 Central Items**

	<b>£'000</b>
Capital Financing/Net Interest Receipts	(2,477)
Civic Centre/Property Repairs and Maintenance	(438)
Levies – Section 52(9)	(303)
Premature Retirement Compensation	(115)
Remuneration Strategy	(240)
Performance Reward Grant (Net)	20
LABGI Grant	(383)
Area Based Grants	(95)
Other	467
<b>Total</b>	<b>(3,564)</b>

#### 4.8 Capital Financing/Net Interest Receipts

The most significant factor in the £2,477k underspend on capital financing costs has been as a result of debt restructuring which took place in March 2009. £64m of debt was repaid and has been refinanced by short term loans which are currently running at historically low levels of interest. There has also been a significant slippage in spending on the Capital Programme which is described in more detail in Section 10.

#### 4.9 Civic Centre/Property Repairs and Maintenance

As the Council advances its plans for the new Civic Centre revenue budgets allocated for maintaining and upgrading the current portfolio have been reviewed and reduced. Also the financing costs associated with the land acquisition for the site of the Civic Centre budgeted for in 2009/10 will not now be required until 2010/11.

#### 4.10 Levies – Section 52(9)

In setting the 2009/10 levies budget £401k was earmarked for variations in Section 52(9) tonnages and disposal costs payable to the West London Waste Authority. Of this only £98k was required due to a reduction in level of waste disposed of in landfill thus allowing a saving of £303k to be realised. This has been partially offset by rises in recycling costs in the Environment and Culture budget.

#### 4.11 Premature Retirement Compensation

This is the ongoing revenue cost of pensions caused by premature retirements that fall on the General Fund. The underspend of £115k represents a reduction of costs as more people than anticipated drop out of the pension scheme. The issues around pensioners within the London

Pension Funds Authority scheme discussed in section 5 of Appendix F may also impact on the outturn.

#### 4.12 Remuneration Strategy

From 1<sup>st</sup> April 2009 revised grades for ex-manual workers were implemented. As part of the process a number of service units incurred additional costs and members at the December 2009 Executive agreed budget virements to Parks, Cemeteries and Adult Social Care Day Centres to fund these costs. These transfers were lower than expected thus generating an underspend of £240k.

#### 4.13 Performance Reward Grant

Initial projections for the Performance Reward Grant were that the Authority would receive £8m in income (£4m revenue/£4m Capital) split equally over the financial years 2009/10 and 2010/11. The Authority now expects £7.268m overall with a revenue contribution of £1.817m in 2009/10 rather than the budgeted £2.0m giving a shortfall of £183k. However slippage from a number of schemes within the programme mean that we are now expecting an underspend of £163k. There is therefore a net variation of £20k.

#### 4.14 Local Authority Business Growth Incentives (LABGI)

The original LABGI scheme ran from 2005/06 to 2007/08 and provided an additional £1bn of funding from the Treasury. A revised scheme was introduced in 2009/10 with funding of £50m nationally. The Authority made no allowance in its 2009/10 budgets due to uncertainties about how the scheme would operate, however the Authority has received £383k of grant in 2009/10. A revised scheme for apportioning the funding of £50m will operate next year.

#### 4.15 Area Based Grants (ABG)

The Authority was informed of additional monies in 2009/10 for Area Based Grants as part of the 2010/11 Local Government Settlement announced at the end of November.

## General Fund Balances Carried Forward

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

**Table 4.3 Estimated Balances Carried Forward 31<sup>st</sup> March 2010**

	£'000	£'000
Budgeted balances at 31 <sup>st</sup> March 2009	(8,013)	
Betterment in 2008/09 final outturn	(41)	
Balances at 31 <sup>st</sup> March 2009		(8,054)
Forecast overspend on service area budgets	2,188	
Forecast under-spend on central items	(3,564)	
Budgeted contribution from balances	522	
Net contribution to balances		(854)
<b>Estimated Balances C/Fwd</b>		<b>(8,908)</b>