

## SECTION 3

### 3. THE PROBABLE OUTTURN 2011/12

#### Introduction

- 3.1 This provides information on forecast spending in 2011/12.
- 3.2 At the end of quarter three the forecast position is for a net overspend on service area budgets of £180k and a forecast underspend on central items and Government Grants of £180k, resulting in an overall breakeven position. This is an improvement of £1.777m on quarter 2. The main reasons for this are improvements in the outturn position for Finance & Corporate Services / Central Services and the Central Items of £601k and £881k respectively. The result is that, on the basis of forecasts at the end of quarter 3, general fund balances at 31<sup>st</sup> March 2012 will be £10.080m. This is £319k better than the originally budgeted balances of £9.761m.

#### The 2011/12 Budget Forecasts

- 3.3 The council set a General Fund revenue budget of £267.889m for 2011/12 including a planned contribution of £2.500m to balances. Estimated balances at 31<sup>st</sup> March 2011 were set at £7.261m. The planned contribution to balances would have increased the carry forward at 31<sup>st</sup> March 2012 to £9.761m. However, based on the 2010/11 final outturn the forecast is now £10.080m.
- 3.4 Table 3.1 below summarises the forecast outturn which is set out in more detail in Appendix A(i). The breakeven position now forecast will leave the contribution to balances unchanged at £2.500m with the general fund balances at 31<sup>st</sup> March 2012 still at £10.080m.

3.6 **Table 3.1 2011/12 Forecast Outturn**

	Latest Position Over/(Under) Spend	
	£'000	£'000
<b>Service Areas</b>		
Adult Social Services	292	
Children and Families	108	
Environment and Neighbourhoods	0	
Regeneration and Major Projects	(106)	
Finance and Corporate Services/ Central Services	(114)	
		180
<b>Central Items / Government Grants</b>		(180)
<b>Net Overspend</b>		<b>0</b>

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

### 3.7.1 Adult Social Services

Current forecasts are that the outturn overspend will reduce to £292k, some £206k less than the forecast of £498k at quarter 2. The main areas of pressure are care purchasing, transport and the use of agency staff. These are offset by operational underspends in other areas

The main key factors contributing to the overspending position relate mainly to the following areas:

- The placements pressures - £800k.

Within the Care Purchasing budget Learning Disability is expected to overspend by £280k mostly against homecare and supported living, Mental Health's overspend is forecast to be £400k mainly due to supported and other accommodation. Both Physical Disabilities and Older People's Services are expected to slightly overspend by around £50k each.

The other area of significant pressure is transitions. The responsibility for paying the cost of care transfers each year on 1<sup>st</sup> August from Children and Families for all young people aged 19. The majority of the transfers relate to learning disabilities and can require residential, homecare respite and day care services. During the 2011/12 budget process a growth bid of £800k was submitted by Adults and a centrally held provision was established. The forecast of £280k is net of this central provision.

- The use of front line agency staff - £600k.
- The costs of Brent Transport Service - £400k.
- The operational under spend of £1.5m includes £1m from lower bad debt write offs.

### 3.7.2 Children and Families

The service area is currently forecasting an overspend of £108k, marginally better than the £116k overspend forecast in quarter 2. There are continuing pressures on the social care legal budget. Recent years have seen significant increases in the number of child care cases following the death of baby Peter and the overspend in this area is currently projected to be £831k, however 700k has been set aside centrally to meet these costs. Other pressures on this budget include £318k in social care placements due to increases in high need residential placements and £190k from the delayed closure of Crawford Avenue respite centre. These are partly offset by underspends from the

School Improvements Service and Connexions as well as various other operational underspends across social care and early years.

### 3.7.3 Environment and Neighbourhoods

Environment and Neighbourhoods is currently forecasting a breakeven position for 2011/12, an improvement of £182k on the quarter 2 position. There continue to be shortfalls on a number of income budgets (including metered income from parking) and pressures from the delays in implementing the library transformation programme. These are compensated for by savings from staff and increased income in Transportation.

### 3.7.4 Regeneration and Major Projects

The main pressure within Regeneration and Major Projects relates to the housing benefit scheme changes resulting from the introduction of the Local Housing Allowance caps in April 2011. As part of the 2011/12 budget process £1m was set aside centrally to meet the additional costs to the Temporary Accommodation budget. These changes have resulted in increases of around 27% in homeless applications and 42% in acceptances to date in comparison to the same period last year. This pressure is now expected to be £750k for 2011/12. In terms of other budgets Regeneration and Major Projects are expected to deliver an underspend of £106k mainly due to savings on contract costs within the Supporting People Programme. This is an improvement from the breakeven position reported in quarter 2.

### 3.7.5 Finance and Corporate Services/Central Services

For quarter 2 there was a forecast overspend of £487k this was due to various shortfalls on income items (including schools' payroll) and pressures on the Procurement budget. These pressures remain but a number compensating savings have been made from holding posts vacant, increased trading income and the use of project monies which has resulted in an underspend of £114k.

### 3.8 Central Items

The forecast net budget shortfall on service budgets of £180k is offset by a forecast net surplus on central items of £180k. This net surplus on central items is made up of various underspending and overspending items as follows:

**Table 3.2 Central Items**

	<b>£'000</b>
Capital Financing	(394)
Centrally Held Cost Pressures	250
Other	(36)
<b>Total</b>	<b>(180)</b>

### 3.8.1 Capital Financing

The underspending of £394k 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.

### 3.8.2 Centrally Held Cost Pressures

As part of the budget process a budget of £2m was established centrally to meet the costs of children social care legal fees, transition of clients to Adults from Children & Families and housing benefit changes. Service areas have experienced pressures in these areas as discussed above and are looking to draw upon this budget. Current forecasts indicate that £2.25m would be required to meet these pressures (Adult Social Services £800k, Children and Families £700k and Regeneration and Major Projects £750k).

### 3.8.3 Other

There have been a number of pressures on central items budget including the delivery of £3m of procurement savings from the One Council Programme and issues arising from closing in 2010/11, however officers are confident that any shortfalls can be contained.

## 3.9 **2011/12 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 rent and service charges, IT functions, payroll admin and learning and development. It also includes the transfers required to create the new customer services section and the associated One Council savings as well as the allocation of One Council savings arising from the employee benefits project.

## General Fund Balances Carried Forward

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

**Table 3.3 Estimated Balances Carried Forward 31<sup>st</sup> March 2012**

	<b>£'000</b>	<b>£'000</b>
Balances at 1st April 2011		(7,580)
Forecast overspend on service area budgets	180	
Forecast under-spend on central items	(180)	
Budgeted contribution to balances	(2,500)	
Net contribution to balances		(2,500)
<b>Estimated Balances C/Fwd</b>		<b>(10,080)</b>