



**NORTHAMPTON
BOROUGH COUNCIL**

Name of Committee	CABINET
Directorate:	Governance and Resources
Director:	Ian Thompson, Interim Finance Director
Date:	5 th March 2007

Report Title	Budget Monitoring 2006/07
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Key Decision	Yes
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1. Recommendations

1.1 Cabinet is invited to note the report and the continuing action to constrain expenditure and minimise the impact on the Council's reserves..

2. Summary

2.1 The report indicates the current year projected outturn position and the appendix provides further background information. The report also refers to management action that continues in response to the forecast and to minimise the impact on the council's general reserves at the end of the financial year.

3. Report Background

3.1 Cabinet received a report on the forecast outturn position for 2006/07 at the meeting of 19th December 2006. At that time there was a forecast year end net overspend of £1.9m. based on information to the end of November (period 8). Budget managers in conjunction with finance support staff have now updated the forecast in the light of information to the end of January (period 10).

3.2 Earlier indications were that net expenditure for the year was in danger of exceeding the approved budget by some £3.9m. However, responsive action taken by budget managers identified that this figure could be revised downwards to a net overspend of £1.9m. and the latest updated forecasts have affirmed this position. Management action has included identifying where there is scope for efficiencies and freezing expenditure on supplies and services where this could be achieved without detriment to public service delivery. In addition, appointment to staff vacancies remains subject to rigorous appraisal against a set of criteria in order to ensure that value for money can be demonstrated (for example, where permanent appointment would be more cost effective than the employment of temporary agency staff).

3.3 Appendix 1 provides a more detailed breakdown of the overspend and shows a comparison between the current position and that previously reported. Brief narrative explanations have also been included. It can be noted that where significant variances are expected to have a continuing effect into 2007/08 and later years, these have been taken into account in establishing the 2007/08 base budget position.

3.4 The single most significant variance identified for 2006/07 relates to concessionary fares. A new statutory scheme for England was introduced on 1st April 2006 following introduction in Scotland and Wales a year earlier. One of the underlying principles is intended to be that the bus operators should neither be worse off than before nor profit from the scheme. In setting the budget for 2006/07, in common with the other Northamptonshire district councils, officers took advice from WS Atkins who act as agents to the county council. Northampton Borough Council's scheme was based on the minimum statutory requirement with enhancement to incorporate the 'Dial A Ride' scheme. As shown by the appendix, the current forecast overspend is significant (and has increased since the December reported position) and Cabinet is reminded that officers have already given the required statutory notice to the bus operators in relation to a revised method of funding for 2007/08 (noting that this may be subject to appeal). The draft budget for 2007/08 and later years reflects the potential impact of this together with an assessment of the risks associated with it.

3.5 The overall impact of the net overspend for 2006/07 is to reduce the forecast level of general reserves at the year end to about £1m. However, the report to the December meeting also recognised that there was scope to add a further c. £1m. to the reserves by a combination of

- capitalising revenue expenditure where this has been legitimately incurred in support of capital schemes (for example, staffing costs and professional fees where this expenditure relates to regeneration schemes and where there is a

high expectation of realising future capital receipts), although noting that this is not without risk as should specific schemes not proceed, costs would have to be recharged to the revenue budget.

- reviewing Section 106 contributions currently held on the balance sheet but where the associated works have been undertaken using council resources in previous years
- reviewing a range of notionally earmarked reserves and provisions forming part of the council's balance sheet to identify where funds might be released into the general reserves without risk.

3.6 Furthermore, the approved revenue budget for 2007/08 also incorporates a contingency provision of £1m. thereby enabling the reserves target in support of the 2007/08 budget to be of the order of £3m. in total.

3.7 The December report also made reference to the position on the earmarked insurance reserve and that this was potentially over-provided (by about £1.2m.). However, the audit of the Benefit Subsidy claims for 2004/05 and 2005/06 had revealed that there may have been a significant overclaim and officers and retained external specialists were negotiating the scale of any clawback with the external auditors and the Department of Work and Pensions. It was considered prudent to retain any surplus on the insurance reserve as a provision against this until the position became clearer. As work has progressed, the scale of the potential clawback has reduced to the point where there is confidence that not all of the fund surplus will be required. This has enabled the efficiency and service reductions built into the budget for 2007/08 and later years to be managed in a phased way, recognising that the full year effect of some savings will not be realised in the first year and that therefore a one-off contribution from reserves will be required. This has been covered in more detail as part of the budget reports for 2007/08.

3.8 Cabinet is invited to note the report and the actions being taken both to contain net expenditure in the current year and to minimise the impact on the council's reserves at the end of the financial year.

4. Options and Evaluation of Options

4.1 Options for constraining expenditure have been considered and taken where this can be achieved without detriment to front line service delivery.

5. Resource Implications (including Financial Implications)

5.1 See section 3.

6. Risk and Opportunity Issues

6.1 These mainly relate to the ongoing impact in future years and the level of general reserves that will need to be retained to mitigate risk. This has been taken into account in setting the budget for 2007/08.

7. Consultees (Internal and External)

Internal	Corporate Managers, Directors, budget managers.
External	N/a

8. Compliance Issues

A: How Proposals Deliver Priority Outcomes

Recovery Plan
N/a
Corporate Plan
N/a

B: Other Implications

Other Strategies
N/a

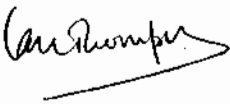
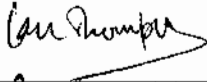


Finance Comments
N/a

Legal Comments

9. Background Papers

Title	Description	Source

Ian Thompson ext 8744

Name	Signature	Date	Ext.
Author		22/2/07	8744
Corporate Manager	N/a		
Director		22/2/07	8744
Monitoring Officer or Deputy (Key decision only)		23/02/07	7334
Section 151 Officer or Deputy (Key decision only)		22/02/07	7167

General Fund Revenue Budget - Forecast Outturn Variance 2006/2007

	2006/07 Annual Budget	2006/07 Reported Outturn 19/12/06	(Improvement) / Deterioration in Forecast Outturn	2006/07 Forecast Outturn (Under) / Over Spends	Note
	£000	£000	£000	£000	
<u>Performance, IT & Improvement</u>					
Information Technology		-29	-14	-43	1
	2,974	-29	-14	-43	
<u>Finance & Asset Management</u>					
Other Land and Buildings		135	-77	58	2
Pensions Added Years and Severance Costs		541	-54	487	3
Markets		232	-18	214	4
Other Services		-69	118	49	5
	5,489	839	-31	808	
<u>Community Safety, Leisure & Town Centre Operations</u>					
Car Parking		808	0	808	6
Balloon Festival		102	0	102	7
Town Centre Management		45	0	45	8
Leisure Centres		-80	0	-80	9
Other Services		-236	1	-235	10
	-180	639	1	640	
<u>Customer Services</u>					
One Stop Shop		420	-53	367	11
Other Services		-185	53	-132	12
	3,031	235	0	235	
<u>Streetscene & Property Maintenance</u>					
Recycling		-209	67	-142	13
Domestic Refuse		-63	0	-63	14
Highways Agency		126	0	126	15
Trade Refuse		397	-135	262	16
Other Services		-207	97	-110	17
	10,616	44	29	73	
<u>Development - Building Control & Environmental Health</u>					
Building Control		-80	-76	-156	18
Development Control		0	185	185	19
Other Services		-93	-17	-110	20
	2,097	-173	92	-81	
<u>Regeneration, Growth & Community Development</u>					
Concessionary Fares		890	77	967	21
Other Services and Regeneration		-59	-183	-242	22
	4634	831	-106	725	
<u>Housing Services</u>	2,183	-54	-39	-93	23
<u>Human Resources</u>	1,558	72	-2	70	24
<u>Governance, Resources & Communication</u>	2,741	13	-63	-50	25
Chief Executives	613	169	-65	104	26
Estimated Savings from In Year Recruitment Controls	0	-300	150	-150	27
Outturn Variance Prior to Financing Adjustments	35,756	2,286	-48	2,238	
<u>Financing Adjustments</u>					
Unallocated Section 106 Receipts	0	-250	0	-250	
Capitalisation of Revenue Expenditure	0	-70	0	-70	
	0	-320	0	-320	
Revised Forecast Outturn Variance	35,756	1,966	-48	1,918	

Notes to Forecast Outturn Variance 2006/07

1	Information Technology - Savings have been achieved on the running costs of the internal telephone system. Additional savings have been identified since the forecast outturn position reported in December as a result of the delay in the purchase of Performance Management Software.
2	Other Land and Buildings - Under recovery of budgeted income for rent. Rent was budgeted for Derrigate Theatre however they were granted a rent free period. This was not reflected in the budget. The forecast outturn position has improved since December due to the receipt of a contribution for 50% of the cost of the Theatres insurance and additional savings identified for utilities and NNDR.
3	Pensions Added Years and Severance Costs - Overspend on Pensions due to the effect of Root & Branch. Added years and pension costs that could not be capitalised as they related to the enhanced element of the severance scheme. The forecast outturn position has improved since December due the opportunity arising to charge additional severance costs to the Housing Revenue Account.
4	Markets - Budget reflected historic levels of Open Market activity. In addition, income has been lost due to the vacation of the Market Hall and expenditure has been incurred in relation to compensation payments to Market Hall traders. The forecast outturn position has improved since December as a result of additional savings on utilities and NNDR.
5	Other Finance & Asset Management - Savings have been achieved as a result of reductions in the external audit fee. In addition the Division has and will continue to hold a number of posts vacant. The forecast outturn position has deteriorated since December as a result of additional Consultancy costs required and recruitment costs for a Senior Management post.
6	Car Parking - The budgeted level of income for carparks will not be achieved partly because the base budget was overstated.
7	Balloon Festival - The budgeted profit for the festival was not achieved. Increased costs were incurred in relation to catering. Income for car parking was lower than anticipated due to poor weather.
8	Town Centre Management - Non achievement of the budgeted income for the Town Centre Management Partnership. This was due to the Town Centre Manager post being vacant for a significant period of time.
9	Leisure Centres - Additional Leisure centre income is predicted as a result of increased activity due to the new gym equipment and the post Christmas activity increase. The additional income offsets the overtime costs incurred to cover sickness/leave absence of the Duty Officer.
10	Other Community Safety Leisure & Town Centre Operations - Savings relating to vacant posts within Community Safety, Health and Safety, Events and Arts.
11	One Stop Shop - Additional cost of the CAPITA Contract for the Customer Contact Centre combined with the cost of additional Customer Services Officers.
12	Other Customer Services - Significant savings have been achieved due to management action of holding posts vacant and reducing expenditure on Supplies and Services.
13	Recycling - The service is forecasting additional recycling income to that budgeted. In addition the service will not spend the Waste Performance Efficiency Grant this year. The forecast outturn position has deteriorated since December due to additional repackaging costs being incurred.
14	Domestic Refuse - A variety of savings have been identified due to management action to achieve efficiencies. Savings in relation to the employees budgets will be achieved due to reducing overtime and managing sickness more effectively. The cost of the Christmas Collection will be contained within the forecast.
15	Highways Agency - The budgeted income will not be achieved as a result of reduced trading activity.
16	Trade Refuse - The Trade Refuse Service is unable to achieve the budgeted income. An improvement in the position reported in December has occurred due to increased income. However the service is performing close to maximum capacity hence limiting its ability to gain any further income.
17	Other Streetscene and Property Maintenance - Savings have been achieved due to staff vacancies, reduction in the use of temporary staff and supplies and services expenditure within Parks and Open Spaces, Neighbourhood Wardens, Street Cleaning and Cemeteries. The forecast outturn position has deteriorated since December due to additional Graffiti removal costs of £84k being incurred combined with additional utilities costs in relation to previous years.
18	Building Control - Additional income will be achieved for Building Regulations. The forecast outturn position for the service has improved since December as a result the extension of vacant posts.
19	Development Control - The forecast outturn position for the service has changed since December due to the termination of WNDC. Additional costs for planning appeals (£148k), software licences (£16k) have been incurred.
20	Other Development, Building control and Environmental Health - Savings in relation to vacant posts within Environmental Health. The forecast for the service has improved since December due to additional savings being achieved due to the extension of vacant posts.
21	Concessionary Fares - The cost of the Concessionary Fares service is higher than budgeted. The forecast outturn position for the service has deteriorated since December as the budget holder has indicated an uptake in the service. Future reports will highlight the final position for this service.
22	Other Regeneration, Growth and Community Development - Savings have been achieved in relation to vacant posts. These savings have been utilised to meet the cost of consultancy staff to cover the vacant posts. The forecast outturn position for the service has improved since December due to additional savings being achieved in relation to vacant posts and consultancy costs. Reductions in anticipated expenditure on Grants has occurred due to the grants budget not being fully utilised. Savings have also been achieved on the Local Development Plan and keeping Urban Enhancement Function to a minimum
23	Housing Services - Savings have been achieved in relation to vacant posts. In addition, reductions in expenditure have been identified, due to the improvement in the turnaround of Void properties. The forecast outturn position has improved since December as a result of savings relating to vacant posts within Tenant Participation.
24	Human Resources - Additional costs of conducting the Pay and Grading Review of £112k will be incurred. This has been partially offset by savings within the centralised training budget as a result of management action to reduce additional training activity.
25	Governance, Resources and Communications - Additional licensing income has been received as a result of the changes in Liquor licensing. This income has been offset by additional employee costs in relation to a consultancy arrangement to cover vacant posts. The forecast outturn position for the service has been improved since December due to not publishing the Civic newspaper (£16k) and the extension of a vacant Communications Manager post (£12k). Further savings have been achieved within Meeting Services in relation to printing, general support costs and temporary staff.
26	Chief Executives - Additional costs have been incurred for consultancy and interim management to cover key vacancies. The forecast outturn position for this service has improved since December due to the cessation of a consultancy arrangement previously reflected within the forecast.
27	Estimated Savings from In Year Recruitment Controls - It is anticipated that additional savings will be achieved in relation to staff turnover, extension of vacant posts and cessation of temporary staff cover. The forecast saving has reduced since December to reflect the reduced number of months remaining in which such savings can be achieved.