



NORTHAMPTON
BOROUGH COUNCIL

Name of Committee	CABINET
Directorate:	Citizens, Finance, and Governance
Corporate Manager / Director:	Isabell Procter
Date:	2nd July 2007

Report Title	Budget Monitoring 2007/08
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Key Decision	Yes
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1. Recommendations

<p>1.1 Cabinet to note the report and the actions being taken to manage the forecast overspend.</p> <p>1.2 Agree a virement of £223K from the improvement reserve to fund improvements to the planning service (£175K) and recruitment of the Chief Executive (£48K).</p> <p>1.3 Agree a virement of £150K from the LABGI Reserve to fund the street wardens.</p> <p>1.4 Agree a virement of £12K from the LABGI Reserve to fund Community Safety Initiatives.</p>
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2. Summary

<p>2.1 This report identifies the projected outturn position for the current financial Year. Appendix 1 of the report provide further background information. The report also refers to management action being taken in response to the forecast and to minimise the impact on the Councils general reserves at the end of the financial year.</p>

3. Report Background

- 3.1 The Council approved the General Fund Revenue Budget on 21st February 2007. The 2007/08 budget preparation process identified a substantial gap in funding. This was bridged by a combination of policy, efficiency and base budget savings of £5.2m. In addition there was a requirement for the temporary use of reserves of £0.8m.
- 3.2. It is crucial that the savings built into the budget are achieved to minimise the impact on both the Councils general reserves at the end of this financial year and the impact on future year budgets. It is intended that all policy, efficiency and base budget savings that were built into the approved budget will be monitored and reported separately this financial year together with the regular monitoring of the revenue budget.
- 3.3. Budget Managers, in conjunction with Finance, have undertaken a review of the progress being made towards achieving the savings contained within the budget. Work has also been undertaken to identify any other emerging issues that cannot be contained within the approved budget with appropriate management action. Appendix 1 presents the identified variations from the approved budget that are giving rise to a forecast net overspend of £921K. This will reduce down to £619 should an application to capitalise severance costs to the DCLG be agreed.
- 3.4. £891k of the net projected overspend relates to policy and efficiency savings that Budget Managers have indicated still required further work. Where savings have not yet been made management is preparing an action plan to ensure delivery and will be reported to future Cabinets.
- 3.5. £150K relates to the removal of the park rangers. Alternative solutions to ensure service continuity are being developed, but in order to maintain service at present the funding for the year will be vired from the LABGI fund.
- 3.6. It is also proposed that a further £12K for Town Centre Enhancements be vired from the LABGI fund.
- 3.7. The remaining £536k overspend relates to newly emerging issues identified by Budget Managers, of which £223K will be funded from the improvement fund.
- 3.5. It was anticipated that £2.15m of savings contained within the budget would be achieved by way of reduction to Employee related budgets. It has been possible to achieve some of these savings by deleting vacant posts from the employee establishment or reducing the level of temporary staff and overtime used. Several savings will be achieved by redeploying staff to suitable alternative employment within the Council. This presents a small financial burden in relation to protected pay. A number of savings will be achieved by granting voluntary redundancy or early retirement to staff in the affected areas. The achievement of such savings requires the one off cost

of severance payments, pension strain and added years benefits to be incurred. In some cases the level of severance costs being incurred are higher than the saving to be generated in one financial year and as a result do not start to generate savings until the financial years 2008/9 or 2009/10. Requests for voluntary redundancy and early retirement with a payback period of more than 3 years were refused as being unaffordable.

- 3.6. In response to the above identified variations, an application will be made to the Office of the Deputy Prime Minister, to capitalise the cost of redundancy and pension strain costs. If approved, this would reduce the charge to the revenue account by an estimated £310k. This saving to the revenue account will be partially offset by the additional cost of borrowing to finance the capitalisation of £8k.
- 3.7. It was anticipated that £3.06m of savings contained within the budget would be achieved within non-employee related budgets. The most significant variations exist within the Streetscene division. The Trade Waste service (saving ref BH3) will not achieve the revenue target saving for the sale of the service of £150k, as any disposal receipts will generate a capital not revenue receipt. In addition a saving of £150k (saving ref PS23) was attributed to Streetscene service, which was deemed as unachievable early in the process and was agreed would be addressed corporately. It has not yet been identified how this will be achieved.
- 3.8. Emerging issues of net £536k have been identified by Budget Managers. The most significant variation is due to the requirement for increased employee resources within the Revenues and Benefits service. It is anticipated that improvements in collection rates and service delivery will be achieved as a result of the additional resources but the affect on the revenue account is yet to be quantified. Additional short-term resources have been approved for use within the Planning service to facilitate improvement. This is being funded by £175 from the improvement fund along with £48K for the recruitment of a new Chief Executive.
- 3.9. The cessation of the Highways service is not reflected within the numerical appendices to this report due to insufficient information concerning the implications to employees of the service being available. It is estimated that the severance and contract termination costs could total in the region of £400k to £1m dependant upon the decision reached. Once further information is available, Cabinet will be informed on the financial implication on the projected outturn position of the General fund.
- 3.10. As indicated above, managers have already taken action to minimise the overall net impact on Council finances. This has included identifying where there is scope for efficiencies without detriment to public service delivery, seeking additional external funding and capitalisation of specific costs. Managers must continue to rigorously assess areas in which further efficiencies can be achieved. Particular attention should be given to management of the employee establishment.
- 3.11. Cabinet is invited to note the report and the actions being taken to contain

net expenditure to minimise the impact on the Councils reserves at the end of the financial year.

4. Options and Evaluation of Options

4.1 Consideration must be given as to if further management action can be taken to achieve those savings that have been identified by Budget Managers as unachievable.

4.2 Options for further constraining expenditure without detriment to front line service delivery must be considered corporately to address the projected net overspend.

5. Resource Implications (including Financial Implications)

5.1 See Section 3

6. Risk and Opportunity Issues

6.1 There will be an ongoing impact on future year budgets of not achieving savings contained within the 2007/08 budget. The impact of a projected net overspend on reserve levels must be considered alongside the level of general reserves that will need to be retained to mitigate risk

7. Consultees (Internal and External)

Internal	Chief Executive, Directors, Corporate Mgrs, Budget Mgrs
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
None additional to the above.

Legal Comments

9. Background Papers

Title	Description	Source

Name	Signature	Date	Ext.
Author	Ann Davies Finance Manager – Financial Management and Planning	02/07/2007	7168
Corporate Manager	N/a		
Director	Isabell Procter	02/07/2007	8757
Monitoring Officer or Deputy (Key decision only)			
Section 151 Officer or Deputy (Key decision only)	Isabell Procter Director Of Finance	02/07/2007	8757