



NORTHAMPTON
BOROUGH COUNCIL

Item No.

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Name of Committee	CABINET
Directorate:	Citizens, Finance, and Governance
Director:	Isabell Procter
Portfolio Holder:	Cllr M. Mildren
Date:	2nd July 2007

Report Title	2006/2007 Revenue Budget Outturn
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Key Decision	Yes
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1. Recommendations

- 1.1 That the report be noted.
- 1.2 That the earmarked reserves be agreed.

2. Summary

- 2.1 The final outturn position for the General Fund Revenue Budget service expenditure for 2006/2007 is an underspend of £0.398m against a budget of £35.757m. This is significantly better than the previously reported forecasts. This overall underspend masks a number of significant variances within services.
- 2.2 The General Fund Reserve, which is the level of working balances carried forward to underpin the 2007/08 budget, now stands at £2.9m. The Council also holds General Fund earmarked reserves of £5.9m to mitigate specific risks that the Council will be exposed to including the claw back of Benefits Subsidy and the need for service improvement.
- 2.3 The most recent projection for the 2007/2008 General Fund Revenue budget indicates a forecast overspend of £921k, reducing to £619k should an

application to capitalise severance costs be agreed. All outturn variations identified within the 2006/07 accounts will be investigated to identify if any savings are ongoing and can be reflected within the current and future year budgets. The period three (spend to 30th June) budget monitoring report to Cabinet will provide more detail on any recommended budget revisions and management actions required to ensure that the budget remains in balance for the current financial year and provides a robust basis for the Medium Term Financial strategy and service delivery planning.

3. Report Background

3.1 During the course of 2006/07 Budget Managers reported a forecast overspend within the General Fund Revenue budget of £1.9m. Following the closure of accounts, the final outturn position is an underspend of £0.398m in the service accounts.

3.2 Appendix 1 to this report provides an analysis of the final outturn position by division along with a high level analysis of reasons for the variations.

3.3 The most significant variations in financial terms were as follows: -

- Increased take up of concessionary fares within the town resulting in an overspend of £922k. This was reflected accurately within previous forecasts.
- A shortfall in the budgeted income for car parks of £534k due to the income budget for the service being unachievable. This was reflected within previous forecasts.
- Significant underspends were generated on the Benefits service of (£555k). These occurred due to additional administration grant being received, improvement in payment recovery and subsidy outturn on council tax. These items were not previously forecast due to the absence of information from the Northgate Systems to facilitate forecasting.
- An underspend has occurred on Targeted dwellings of (£306k) as a result of a significant reduction in homelessness cases as a result of prevention activities introduced in 2006/07.
- An underspend has occurred on the Recycling service of (£441k) as a result of increased throughput and increases to recycle prices received for materials recycled.

3.4 The final outturn position differs considerably to the previously reported forecast. Appendix 2 to the report provides an analysis of key variations between the forecast and final outturn position along with detailed explanations.

3.5 The most significant individual changes were as follows:

- The outturn for the Benefits service differed considerably due to lack of

information from the Northgate system to facilitate accurate forecasting during the financial year. Net change (£747k).

- The outturn variance for Targeted Dwellings improved compared the forecast due to lack of information being available in year to undertake forecasting. Net change (£284k).
- Carparking generated additional income outside of the NCC contract for season ticket income and residents parking. Net change (£270k).
- The outturn position improved for the Customer Access service due planned expenditure not taking place before the 31st March. This saving was identified but not reported in period 11 as a result of plans to undertake specific projects by the end of the financial year (£215k).
- Improvement in the outturn variation for Streetscene services has occurred predominately due to improvement in income. Previous income forecasts underestimated the level of income to be achieved and information management needs to be addressed in 2007/08 to enable forecasting to improve. Net change (£264k).
- There were number of smaller variations to the reported forecast and work is underway to establish if there is likely to be a continuing impact for 2007/2008 and as a consequence if that is a requirement to adjust the budgets for the current and future years.

3.6. Investigations into the reasons for the changes between the forecast and actual outturn position have identified key issues concerning the flow of management information within the organisation, in particular from the Northgate System. The lack of information is restricting the ability of the council to forecast accurately and must be addressed as a matter of urgency in 2007/08. All issues identified on Appendix 2, that indicate that management information needs to improve to assist forecasting, need to be addressed as a matter of priority in 2007/08.

3.7. The overall effect of the net improvement in the year-end position is that the level of General Fund Working Balance available to support the 2007/08 budgets is £2.9m. This level of reserves is acceptable for an authority the size of Northampton Borough Council; whilst considering the level of risk that the council is exposed to and the improvement agenda at hand. There are General Fund earmarked reserves of £5.9m which mitigate specific risks that the Council may be exposed to. Appendix 3 details the earmarked reserves.

3.8. It should be noted that a number of technical adjustments were made around earmarked reserves and areas outside service budgets. This included setting up an earmarked reserve for monies (£861K) received from the Local Authority Business Growth Initiative. This funding was received late in the year and was not included in any previously reported forecast.

3.9. In relation to the forecast for the current financial year, 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. Budget Managers have identified a total forecast overspend of £963k. Managers have reported that £659k of savings built into the budget are not achievable and have also identified £304k of newly emerging issues. Managers. As identified above work is underway to establish if there is likely to be a continuing impact of 2006/07 underspends in the current and future financial years.

3.10. The outturn position of the council is significantly better than forecast and has enabled the council to provide adequately for risks that it may be exposed to. However initial indications for 2007/08 are that savings built into the 2007/08 budget may not be achieved and require urgent attention to identify how they can be delivered. Finance will contact Budget Managers with detailed outturn information to establish the impact of any ongoing savings. In addition Budget Managers must seek to identify any other opportunities to makes savings without detriment to front line services and seek to improve efficiency wherever possible.

4. Options and Evaluation of Options

4.1 N/A

5. Resource Implications (including Financial Implications)

5.1 This is covered in section 3. However, it is worth restating that the level of available reserves remains at a minimum level acceptable given the degree of risk to which the Council is exposed in a number of key service areas and in relation to the vast improvement agenda that the Council is required to deliver.

6. Risk and Opportunity Issues

6.1 This is covered in section 5.

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
Director	Isabell Procter	02/07/2007	8757
Monitoring Officer or Deputy (Key decision only)			
Section 151 Officer or Deputy (Key decision only)	Isabell Procter	02/07/2007	8757