

Appendices

3



NORTHAMPTON
BOROUGH COUNCIL

Item No:

9(a)

CABINET REPORT

Report Title

MONTH 4 BUDGET MONITORING 2007/08

AGENDA STATUS:

PUBLIC

Cabinet Meeting Date:	3 September 2007
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren
Ward(s)	Not Applicable

1. Purpose

- 1.1 This report identifies the projected outturn position for the current financial Year. Appendix 1 of the report provides further background information. The report also refers to management action being taken in response to the forecast and to minimise the impact on the Council's general reserves at the end of the financial year.

2. Recommendations

- 2.1 Cabinet to note the report and the actions being taken to manage the forecast overspend.
- 2.2 Cabinet approves the following virements:
- 2.2.1 £312k from the General Fund Reserve for concessionary fares.
 - 2.2.2 £42k from the Improvement Fund (earmarked reserve) for Human

Resources.

- 2.2.3 £40k from the Corporate Initiatives (LABGI) earmarked reserve for funding Delapre Abbey as agreed on 30 July 2007.

3. Issues and Choices

3.1 Report Background

- 3.1.1 Month 3 is not being brought to Cabinet as there was no suitable date during August, and that information has now been superseded by the more current information contained in this report relating to month 4.
- 3.1.2 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 £0.89m.
- 3.1.3 In addition to the funding included in the original budget that was set early in 2007, the Council has been awarded £592k Planning Delivery Grant (25% of which must be used for capital purposes), the highest for any district outside London, as well as £280k intervention grant from DCLG. These amounts are not yet reflected in the figures in this report, except for the £100k funding for the interim Chief Executive included in the intervention grant.
- 3.1.4 It is crucial that the savings built into the budget are achieved to minimise the impact on both the Council's 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.

3.2 Issues

- 3.2.1 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 £469k. This will reduce down to £167k should an application to capitalise severance costs to the DCLG be agreed.

3.2.2 Table 1: General Fund Provisional Outturn Summary (£,000)

RAG	Directorate	2007/08 Original Budget	2007/08 Additional Budget	2007/08 Revised Budget	P4 Projected Outturn	Variance Projected Outturn to Revised Budget
		£,000	£,000	£,000	£,000	£,000
A	Governance & Improvement	14,600	48	14,648	14,716	68
R	Customers and Service Delivery	15,239	100	15,339	15,842	503
G	People, Planning, and Regeneration	7,296	187	7,483	7,381	(102)
	Total	37,135	335	37,470	37,939	469

3.2.3 RAG (Red, Amber, Green) criteria were agreed by Management Board at their meeting on 16 August 2007. The criteria are detailed at Annex 3.

3.2.4 £505k 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 this will be reported to future Cabinets.

3.2.5 The remaining £635k overspend relates to newly emerging issues identified by Budget Managers.

3.2.6 This overspend is offset by proposed virements totalling £394k from reserves (£82k from earmarked reserves, and £312k from general fund balances) and management action plans of £277k.

3.2.7 Governance and Improvement: Amber

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Chief Executive	104	(16)	Costs of interim Chief Executive with £100k intervention grant and recoverable LAA contribution.
Governance & Communications	93	93	Restructure of admin posts unachievable plus interim cover and redundancy costs
Other minor variations (below £50k)	(49)	(9)	£40k for Delapre Abbey to be funded from the earmarked LABGI reserve.
Total	188	68	

3.2.8 An application will be made to the Department for Communities and Local Government, 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.

3.2.9 Customers and Service Delivery: Red

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Community Safety, Leisure & Town Centre Operations	19	(35)	(£46k) alternative savings on energy and discretionary expenditure plus additional income from Leisure, car parking, and town centre operations.

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Customer Services	88	88	£50k print room savings undergoing further investigation. A new directive was agreed at the Service Improvement meeting that means that council tax demands, reminders and summons will go out earlier to enable the debt to be collected and prevent bad debt. This, together with the increased correspondence it generates will increase the postage bill. Work is ongoing to clarify the financial impact.
Streetscene & Property	325	325	See details below
Housing Services	228	125	The Board has approved £103k additional expenditure to meet the cost of two new Revenues and Benefits Officers. This is to be recovered through increased subsidy. The estimated cost for 2007/08 of temporary Revenues and Benefits Officers is forecast as £145k. These are offset by minor (below £50k) variations including savings on temporary accommodation.
Total	802	503	

3.2.10 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.

3.2.11 A saving of £150k (ref PS23) was attributed to Streetscene service was deemed unachievable early in the process and it was agreed that it would be addressed corporately. The Management Board will consider how this can be achieved. A review will be undertaken to establish what revenue expenditure within this service can be capitalised to offset this overspend.

3.2.12 The Asset Management Group is currently assessing a £50k saving on security at the Westbridge Depot for its impact on the depot. It currently appears that the saving is unlikely to be achieved.

3.2.13 These are partly offset by vacancy savings of £25k.

3.2.14 People, Planning & Regeneration: Green

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Regeneration and Growth	247	(65)	Latest concessionary fares forecast is £312k above the available budget due to take up of the service. This is to be funded from reserves. Staff savings of £65k have also been recognised.
Other minor variations (below £50k)	5	(37)	Extension to employment of staff to be made redundant will reduce the level of savings to be achieved. It is anticipated that one member of staff will be retained to undertake specific project work. This will be funded via the Improvement Fund.
Total	252	(102)	

3.2.15 Other Areas for Information

3.2.16 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.

3.2.17 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, and are outlined in paragraphs 3.2.9 to 3.2.13.

3.2.18 Emerging issues of net £635k have been identified by Budget Managers. The most significant variations are due to the high level of concessionary fares take up and the costs of the additional revenues and benefits staff.

3.2.19 The cessation of the Highways service is not reflected within the numerical appendices to this report due to insufficient information concerning the implications to the service being available. It is thought that work might be identified to cover the cost of the service but this is based on estimated costs via Asset Management and has yet to be properly costed. This relates to the cost of the retained in house team of 9 employees and costs to Property Maintenance over budget relating to salary protection. Once further information is available, Cabinet will be informed of the financial act on the projected outturn position of the General fund.

3.2.20 As indicated above, managers have already taken action to minimise the overall net impact on Council finances. This includes 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.

3.2.21 Improvement Fund

		£,000
	Improvement Fund Balance as at 01.04.2007	500
<i>Less:</i>	Funding for planning service improvements	(175)
<i>Less:</i>	Funding for recruitment of new Chief Executive	(48)
<i>Less:</i>	Funding for retention and extension of staff employment	(42)
	Total estimated Improvement Fund balance at 31.03.2008	235

3.2.22 LABGI

		£,000
	LABGI Balance as at 01.04.2007	860
<i>Less:</i>	Funding for Town Centre Enhancements	(12)
<i>Less:</i>	Funding for Park Ranger service (amended)	(100)
<i>Less:</i>	Funding for Delapre Abbey*	(40)
	Total estimated LABGI balance at 31.03.2008	708

* A further £2,750 will be required in 2008/09 for Delapre Abbey

3.2.23 General Fund Balances*

		£,000
	General Fund Balance as at 01.04.2007	2,893
<i>Plus</i>	Budgeted contribution to reserves	1,250
<i>Less:</i>	Budgeted Use of Reserves	(890)
<i>Less:</i>	Funding for concessionary fares	(312)
<i>Less:</i>	2007/08 forecast deficit attributable to General Fund as outlined in Table 1	(469)
	Total estimated General Fund balance at 31.03.2008	2,472

Note that this does not include any figures relating to the costs of the cessation of the Highways Service (see paragraph 3.22 above).

3.2.24 "The Audit Commission has previously recommended that the level of the General Fund working balance should not fall below £2.3m" (Draft Statement of Accounts 2006/07).

3.3 Choices (options)

- 3.3.1 Cabinet is invited to note the report and the actions being taken to contain net expenditure to minimise the impact on the Council's reserves at the end of the financial year.
- 3.3.2 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.
- 3.3.3 Options for further constraining expenditure without detriment to front line service delivery must be considered corporately to address the projected net overspend.

4. Implications (including Financial Implications)

4.1 Policy

- 4.1.1 The table at 3.2.2 shows that the budget will be overspent by £469k if the overspends identified are not addressed.

4.2 Resources and Risk

- 4.2.1 This report informs the Cabinet of the provisional revenue budget outturn as at month 4.
- 4.2.2 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.

4.3 Legal

4.2.3 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equality implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Chief Executive, Directors, Corporate Mgrs, and Budget Managers have been consulted.

4.6 How Proposals deliver Priority Outcomes

4.6.1 Monthly budget monitoring relates to improving the CPA Use of Resources score, which contributes to the priorities of continuing to improve our weakest services and continuing to strengthen our financial management.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

5.1 Cabinet Report – 2 July 2007 Budget Monitoring 2007/08

Rebecca Thomas, Assistant Head of Finance – Financial Management and Planning, ext 8046

CABINET REPORT

SIGNATORIES

Report Title	Period 4 Budget Monitoring 2007/08
Date Of Call-Over	14/08/2007

Following Call-Over and subsequent approval by Management Board, signatures are required for all Key Decisions before submitting final versions to Meetings Services.

Name	Signature	Date	Ext.
Monitoring Officer or Deputy			
Section 151 Officer or Deputy			