

Appendices 1-3



Item No.

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NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	MONTH 5 BUDGET MONITORING 2007/08
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	1 October 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 approve the virement of £90k relating to the Human Resources capacity fund bid.

3. Issues and Choices

3.1 Report Background

- 3.1.1 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. This included a requirement for the temporary use of reserves of £0.89m.
- 3.1.2 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.
- 3.1.3 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 £272k, compared to £469k at month 4. This will reduce down to surplus of £30k 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*	P5 Projected Outturn*	Variance Projected Outturn to Revised Budget*
		£,000	£,000	£,000	£,000	£,000
A	Governance & Improvement	14,600	87	14,687	14,765	78
R	Customers and Service Delivery	15,239	141	15,380	15,647	267
G	People, Planning, and Regeneration	7,296	458	7,754	7,681	(73)
	Total	37,135	687	37,821	38,093	272

**Difference to Appendix 1 is roundings*

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 £386k of the net projected overspend relates to policy and efficiency savings that Budget Managers have indicated still required further work.

3.2.5 Where savings have not yet been made or an overspend is forecast management will prepare an action plan to ensure delivery. A proposed template for the action plans, based on the format of appendix 2, was discussed at Management Board on 6 September 2007. This will be used from month 6 and will be reported to future Cabinets as an appendix.

3.2.6 The remaining £120k overspend relates to newly emerging issues identified by Budget Managers.

3.2.7 This overspend is offset by proposed virements totalling £90k from earmarked reserves) and management action plans of (£145k).

3.2.8 Governance and Improvement: Amber

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Governance & Communications	74	74	Restructure of admin posts unachievable plus interim cover and redundancy costs
Other minor variations (below £50k)	4	4	£33k on Chief Executive relating to unconfirmed reimbursement of LAA contribution and excess costs of interim Chief Executive over and above available funding and grant receipts. Plus net saving on employee costs in Legal and Democratic Services and a grant for £20k for the costs of postal votes.
Total	78	78	

3.2.9 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.

3.2.10 Customers and Service Delivery: Red

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Community Safety	(25)	(25)	Overspends on employees and underachievement of income, together with unachievable savings and duplication of savings targets are more than offset by a management action plan
Customer Services	88	88	£50k print room savings undergoing further investigation. The increases in the postage bill are shown within this service, but will filter out to other departments via the recharging process. A grant of £20k has been received by Legal and Democratic Services relating to postal voting, which will offset part of this..
Streetscene & Property Maintenance	125	125	See details below
Housing Services	382	79	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 has increased from £145k at month 4 to £295k at month 5. This is an increase of £150k and is to also be met from increased subsidy. This is offset by minor (below £50k) variations including savings on temporary accommodation.
Total	570	267	

- 3.2.11 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. A review will be carried out to see if any of the other costs in this area are eligible for capitalisation.
- 3.2.12 A saving of £150k (ref PS23) was attributed to Streetscene service was deemed unachievable early in the process. The additional MRF income identified below will relieve this budget pressure.
- 3.2.13 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.
- 3.2.14 These are partly offset by vacancy savings of £25k and additional MRF recycling income of approximately £200k.
- 3.2.15 A new emerging issue has been raised relating to income levels. It is too early to tell what the impact of this will be. The issue is currently being investigated and the outcome will be reported to Cabinet with the monitoring report next month.

3.2.16 People, Planning & Regeneration: Green

Service Area	Forecast Variance before Action*	Forecast Variance after Action*	Narrative
	£,000	£,000	
Human Resources	206	75	HR Interim staff capacity bid, to be funded from capacity fund, £32k employee costs, £21k staff survey costs, plus other minor variations.
Regeneration and Growth	(120)	(120)	Various employee savings offset by temporary cover for vacant posts
Other minor variations (below £50k)	(28)	(28)	Employee and transport savings offset by cost of rubbish removal at Ecton Lane
Total	58	(73)	

**Difference to Appendix 1 is roundings*

3.2.17 Other Areas for Information

- 3.2.18 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.
- 3.2.19 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 above.
- 3.2.20 Emerging issues of net £120k have been identified by Budget Managers. The most significant variations are due to the additional revenues and benefits staff, whereby Management Board approved 2 posts, while the service has taken on staff (interim and permanent) for 6 posts. The forecast for these costs increased by £150k between months 4 and 5. It is anticipated that these costs will be met from increased subsidy income.
- 3.2.21 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.
- 3.2.22 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.
- 3.2.23 The 2007/08 pay award has not yet been agreed. The employers had offered 2.475% on spinal column point 5 and above with scp 4 rising to £6 per hour, all from 1st April 2007. The latest position is that each Trade Union is deciding its response. Should the final pay award be less than budgeted, there will be a budget saving that is likely to be transferred out of directorates budgets.

3.2.24 Improvement Fund

		£,000
	Improvement Fund Balance as at 01.04.2007	500
Less:	Funding for planning service improvements	(175)
Less	Funding for recruitment of new Chief Executive	(48)
Less:	Funding for Human Resources Capacity Fund Bid	(90)
	Total estimated Improvement Fund balance at 31.03.2008	187

3.2.25 The virement approved last month for the retention and extension of staff employment in HR is now being addressed through management actions. It is being replaced with the HR capacity fund bid approved by Board.

3.2.26 Corporate Initiatives (LABGI) Earmarked Reserve

		£,000
	LABGI Balance as at 01.04.2007	860
Less:	Funding for Town Centre Enhancements	(12)
Less:	Funding for Park Ranger service (amended)	(100)
Less:	Funding for Sheep Street Public Toilets	(50)
Less:	Funding for Delapre Abbey*	(40)
Less:	Funding for Sunday Parking changes to charging	(47)
Less:	Remaining 100 day funding	(88)
	Total estimated LABGI balance at 31.03.2008	523

- A further £2,750 will be required in 2008/09 for Delapre Abbey
- Note that a further report on this agenda relating to regeneration feasibility studies includes a bid for significant funding from this reserve.

3.2.27 General Fund Balances*

		£,000
	General Fund Balance as at 01.04.2007	2,893
Plus	Budgeted contribution to reserves	1,250
Less:	Budgeted Use of Reserves	(890)
Less:	Funding for concessionary fares	(312)
Less:	2007/08 forecast deficit attributable to General Fund as outlined in Table 1	(272)
	Total estimated General Fund balance at 31.03.2008	2,669

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

3.2.28 "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 £272k 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 5.
- 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 Not applicable

- 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 Reports – 2 July 2007 Budget Monitoring 2007/08
3 September 2007 Month 4 Budget Monitoring 2007/08

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