



CABINET REPORT

Report Title	BUDGET MONITORING 2007/08 – POSITION AS AT THE END OF SEPTEMBER 2007
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	5 November 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 fund 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 virements as detailed in the attached annex to realign the Streetscene Budgets.
- 2.3 Cabinet approve a virement of £30k from the Corporate Initiatives (LABGI) Earmarked Reserve for the Christmas lights.
- 2.4 Cabinet approve the virement of £50k for the Sheep Street public conveniences.

- 2.5 Cabinet approve a virement of £10k from the Corporate Initiatives (LABGI) Earmarked Reserve for the Northamptonshire Rape Crisis Centre.
- 2.6 Cabinet approve that the additional LABGI funding allocation notified to the authority be added to the Corporate Initiatives earmarked reserve when it is received.

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 and the £40k for finance support included in the intervention grant.
- 3.1.3 During September the authority was notified that it had been awarded an additional sum of £147k LABGI funding. It is recommended that this is added to the corporate initiatives earmarked reserve.
- 3.1.4 It is important 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. Should any of the savings be unachievable, management action will be taken to identify alternative savings or income.

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 £379k, compared to £272k as forecast at the end of August 2007. This will reduce down to £77k 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*	End Sept 2007 Projected Outturn*	Variance Projected Outturn to Revised Budget*
		£,000	£,000	£,000	£,000	£,000
R	Governance & Improvement	14,600	87	14,687	14,836	149
R	Customers and Service Delivery	15,239	141	15,380	15,658	278
G	People, Planning, and Regeneration	7,296	458	7,754	7,705	(49)
	Total	37,135	687	37,821	38,199	378

Difference to Appendix 1 is roundings

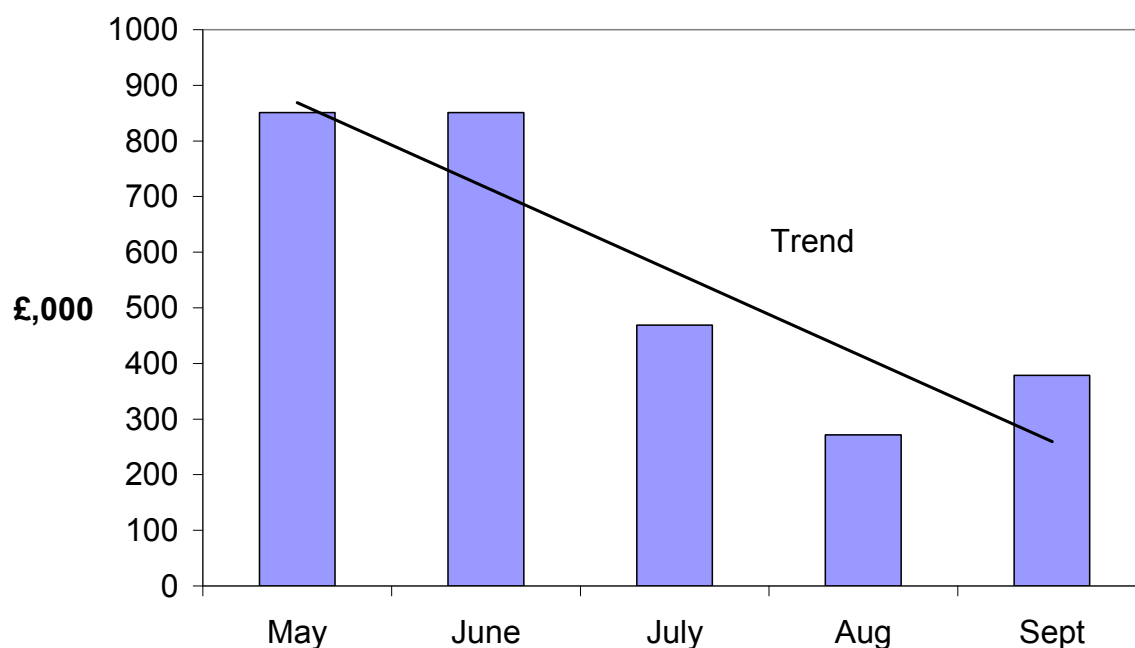
3.2.3 RAG (Red, Amber, Green) criteria were agreed by Management Board at their meeting on 16 August 2007. The criteria are detailed at Appendix 3

3.2.4 £326k 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 is currently being trialled with Corporate Managers and will be reported to future Cabinets as an appendix.

3.2.6 The remaining £53k overspend relates to newly emerging issues identified by Budget Managers.

3.2.7 The budget monitoring is showing an overall improving trend as shown below:



Forecast as at Month End

3.2.8 Overview and Scrutiny 3 Task and Finish Group have asked that this report include a table showing the movement between the latest budget as reported at the previous period compared to the latest budget as at the current period. However, there have been no changes since the last monitoring report. The proposed layout for this is shown in table 2 below.

3.2.9 Table 2: Latest General Fund Budget Movement between end of August 2007 and end of September 2007

Directorate	2007/08 Revised Budget to End August 2007	Changes during the Month	2007/08 Revised Budget to End September 2007	Reasons for Changes During the Month
	£,000	£,000	£,000	
Governance & Improvement	14,687	0	14,687	No change
Customers and Service Delivery	15,380	0	15,380	No change
People, Planning, and Regeneration	7,754	0	7,754	No change
Total	37,821	0	37,821	

3.2.10 In order to help members see the changes that have been processed to date, a table showing the total budget changes to date is shown at table 3 below.

3.2.11 Table 3: General Fund Budget Movements to the end of September 2007

Original Budget 2007-08		37,135
Improvement Fund	Planning Service Improvements	175
Improvement Fund	Chief Executive	48
LABGI	Town Centre Enhancements	12
LABGI	Park Rangers	100
LABGI	Delapre Abbey	40
General Fund Reserves	Concessionary Fares	312
Total		37,822

Note the difference in the total is due to roundings

3.2.12 Governance and Improvement

3.2.13 The RAG status for Governance and Improvement is Red as the forecast overspend is over £100,000. The reasons for the variance are explained in the table below.

3.2.14 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.

3.2.15

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
Finance and Asset Management	91	91	Mainly due to overspends on NNDR for office accommodation and additional rubbish removal as a result of extra market events
Other minor variations (below £50k)	(16)	(16)	£13k on Chief Executive relating to 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	149	149	

3.2.16 Customers and Service Delivery

3.2.17 The RAG status for Customers and Service Delivery is Red as the forecast overspend is over £100,000. The reasons for the variance are explained in the table below.

3.2.18

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Community Safety	23	23	Overspends on employees and underachievement of income, including a total of £73k relating to St Peters Way, together with unachievable savings and duplication of savings targets are largely offset by additional income and a management action plan.
Customer Services	(153)	(153)	See details below
Streetscene & Property	125	125	See details below
Housing Services	282	282	Overspends on temporary staff for 4 additional posts and the Kendrick Ash contract are offset by minor (below £50k) variations including savings on temporary accommodation. An action plan is to be developed.
Total	277	277	

3.2.19 Customer Services

3.2.20 An unachievable Efficiency Saving of £50k in the Print Unit was reported previously due to a duplication of budgets offered up.

3.2.21 A £28k overspend on postage mainly due to changes in the billing processes for council tax was also identified previously. The overspend in the postage bill is 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.

3.2.22 New issues including a £40k overspend relating to the print room having to outsource work due to breakdowns and inadequate equipment, £28k unachievable saving relating to the CRM maintenance contract and £10k for the 24_Claim Guarantee forms have also been identified this month.

3.2.23 In addition a total of £17k relating to minor variations (below £10k) have also been identified.

3.2.24 These overspends are offset by net employee savings of £44k, a £15k saving on software licences, and additional unbudgeted income of £267k.

3.2.25 Streetscene (General Fund)

3.2.26 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.

3.2.27 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.

3.2.28 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.

3.2.29 These are partly offset by vacancy savings of £25k and additional MRF recycling income of approximately £200k.

3.2.30 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.

3.2.31 It has been recognised that the budgets in Streetscene need to be realigned. Work has been undertaken during the summer to identify where the budgets need to be and it is proposed that the virements required for the realignment (netting to £nil within the Streetscene division) are approved. The virements are summarised at appendix 4.

3.2.32 As part of the month 2 budget monitoring a virement of £150k was agreed for park rangers from the corporate initiatives (LABGI) earmarked reserves. In the event only £100k of this was required for this purpose and it has since been agreed that the remaining £50k of this money can instead be allocated to Sheep Street public toilets, and approval of a virement for this purpose is requested as part of this report.

3.2.33 People, Planning & Regeneration

3.2.34 The RAG status for Customers and Service Delivery is Green as there is a forecast underspend overall. The reasons for the variance are explained in the table below.

Service Area	Forecast Variance before Action*	Forecast Variance after Action*	Narrative
	£,000	£,000	
Human Resources	94	94	£32k employee costs, £21k staff survey costs, £15k for new employee sickness plus other minor variations. A management action plan is being developed.
Regeneration and Growth	(125)	(125)	£215k employee savings offset by £90k temporary and consultancy cover for vacant posts.
Other minor variations (below £50k)	(18)	(18)	Employee and transport savings offset by £30k cost of rubbish removal at Ecton Lane
Total	(49)	(49)	

3.2.35 Other Areas for Information

3.2.36 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.

3.2.37 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.

- 3.2.38 Emerging issues of net £53k have been identified by Budget Managers. The most significant variations are in Housing General Fund and relates mainly to overspends on cover for 4 additional posts and the Kendrick Ash contract. A management action plan is being developed to address this issue.
- 3.2.39 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.
- 3.2.40 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.
- 3.2.41 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.

3.2.42 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 Human Resources Capacity Fund Bid	(90)
	Total estimated Improvement Fund balance at 31.03.2008	187

- 3.2.43 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.

3.2.44 Corporate Initiatives (LABGI) Earmarked Reserve

		£,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 Sheep Street Public Toilets	(50)
<i>Less:</i>	Funding for Delapre Abbey*	(40)
<i>Less:</i>	Funding for Sunday Parking changes to charging	(47)
<i>Less:</i>	Funding for Feasibility Studies in Regeneration	(173)
	Total estimated LABGI balance at 31.03.2008	438
<i>Less:</i>	Conditional Funding for Feasibility Studies in Regeneration	(215)
	Total estimated LABGI balance at 31.03.2008	223

- A further £2,750 will be required in 2008/09 for Delapre Abbey
- Note that an additional LABGI allocation of £147k has been announced for this authority. If this is added to the Corporate Initiatives earmarked reserve, the latest estimated balance at the year end will be £370k

3.2.45 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	(379)
	Total estimated General Fund balance at 31.03.2008	2,562

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

3.2.46 “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).

3.2.47 Housing Revenue Account (HRA)

3.2.48 The latest projection for Housing HRA is a net underspend of £4k.

3.2.49 Within this, an overspend of £127k is being reported relating to the Kendrick Ash contract. This is being offset by underspends on void properties due to improved turnaround times and reduced court costs due to a more pro-active approach to debt recovery.

3.2.50 No variance has been reported at this stage on Streetscene HRA.

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 £379k 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 the end of September 2007.
- 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

- 4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

- 4.4.1 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 the 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
1 October 2007 Month 5 Budget Monitoring 2007/08

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CABINET REPORT

SIGNATORIES

Report Title	Budget Monitoring 2007/08 – Position as at the End of September 2007
Date Of Call-Over	16/10/2007

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			