

Appendices



Item No.

**NORTHAMPTON**  
BOROUGH COUNCIL

## CABINET REPORT

<b>Report Title</b>	<b>REVENUE BUDGET MONITORING 2007/08 – POSITION AS AT THE END OF OCTOBER 2007</b>
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**AGENDA STATUS: PUBLIC**

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

### 1. Purpose

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- 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

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- 2.1 Cabinet to note the report and the actions being taken to manage the forecast overspend.
- 2.2 Cabinet approve a virement of the saving on the pay award from salaries budgets to Community Safety, Leisure, and Town Centre Management
- 2.3 Cabinet approve a virement of £250k from reserves to Housing General Fund for the Kendrick Ash contract.
- 2.4 Cabinet approve a virement of £250k from reserves to Community Safety, Leisure, and Town Centre Management for car parking.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 The Council approved the General Fund Revenue Budget on 21<sup>st</sup> 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. This has been added to the corporate initiatives earmarked reserve in accordance with the Cabinet decision of 5 November 2007.
- 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 £413k, compared to £379k as forecast at the end of September 2007. This will reduce down to £111k should an application to capitalise severance costs to the DCLG be agreed.

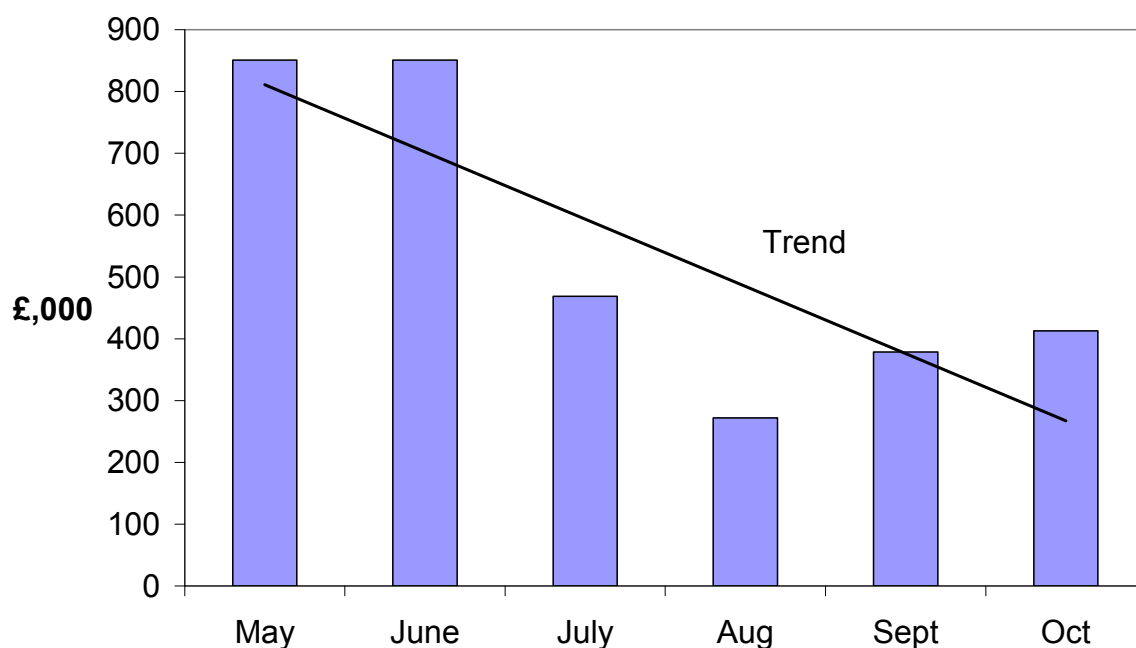
### 3.2.2 Table 1: General Fund Provisional Outturn Summary (£,000)

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	88	14,688	14,652	(36)
R	Customers and Service Delivery	15,239	268	15,507	15,916	409
G	People, Planning, and Regeneration	7,296	721	8,017	8,056	39
	<b>Total</b>	<b>37,135</b>	<b>1,077</b>	<b>38,212</b>	<b>38,624</b>	<b>412</b>

*Differences relate to 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 £729k 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 £331k overspend before action and funding virements relates to newly emerging issues identified by Budget Managers.
- 3.2.7 It is anticipated that the pay award will generate approximately £147k saving towards the total overspend, reducing it to £913k. (See below).
- 3.2.8 In addition it is proposed that the £250k budgeted contribution to reserves against possible overspends on the Kendrick Ash contract be allocated to Housing to reduce that element of their forecast overspend. Also that £250k budgeted contribution to reserves against car parking be allocated to Community Safety, Leisure, and Town Centre Operations for that portion of their overspend. This would reduce the overall forecast to £413k.

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



**Forecast as at Month End**

3.2.10 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. Changes since the last monitoring report are shown in Table 2 below.

**3.2.11 Table 2: Latest General Fund Budget Movement between end of September 2007 and the end of October 2007**

Directorate	2007/08 Revised Budget to End September 2007 £,000	Changes during the Month £,000	2007/08 Revised Budget to End October 2007 £,000	Reasons for Changes During the Month
Governance & Improvement	14,687	1	14,688	Roundings
Customers and Service Delivery	15,380	127	15,507	£30k Christmas Lights £47k Sunday Parking £50k Sheep Street Toilets
People, Planning, and Regeneration	7,754	263	8,017	£173k Feasibility Studies £90k HR Capacity Fund bid
<b>Total</b>	<b>37,821</b>	<b>391</b>	<b>38,212</b>	

### 3.2.12 Governance and Improvement

3.2.13 The RAG status for Governance and Improvement is Green as the Directorate is forecasting an underspend. The reasons for the variance are explained below.

3.2.14 An application will be made to the Department for Communities and Local Government to capitalise the costs of redundancy and pension strain. If approved, this would reduce the charge to the revenue account by an estimated £310k. This will be partially offset by the additional costs of borrowing to finance the capitalisation of £8k.

3.2.15

<b>Service Area</b>	<b>Forecast Variance before Action</b>	<b>Forecast Variance after Action</b>	<b>Narrative</b>
	<b>£,000</b>	<b>£,000</b>	
Governance & Communications	19	19	Restructure of admin posts unachievable plus interim cover and redundancy costs partially offset by employee savings and EMIP funding
Performance and Improvement	(5)	(5)	Savings on vacant posts offset by pension strain costs of £163k.
Finance and Asset Management	(45)	(45)	See below
Other minor variations (below £50k)	(5)	(5)	£13k relating to excess costs of interim Chief Executive over and above available funding. Plus net saving on employee costs in Legal and Democratic Services and a grant for £18k for the costs of postal votes.
<b>Total</b>	<b>(36)</b>	<b>(36)</b>	

### 3.2.16 Finance and Assets

3.2.17 Employee savings of £452k are offset by the items detailed below.

3.2.18 Overspends on NNDR for office accommodation of £78k. This is being addressed for the 2008/09 budgets through unavoidable growth.

3.2.19 Costs of consultants for Value for Money (VFM) planning £75k are also partially covered by the corresponding grant (£40k).

3.2.20 Consultancy costs of £183k. This is due to service pressures prior to and during the restructure and recruitment process.

3.2.21 Income shortfall due to cessation of contracts to provide procurement services for other local authorities £59k.

3.2.22 Other minor variations (below £50k) totalling £52k.

### 3.2.23 Customers and Service Delivery

3.2.24 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.

3.2.25

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Community Safety, Leisure, and Town Centre Operations	780	383	See details below
Customer Services	(77)	(77)	See details below
Streetscene & Property Maintenance	98	98	See details below
Housing Services	256	6	Net overspends on temporary staff for additional posts £295k and the Kendrick Ash contract £300k are offset by £212k revised council tax benefit and subsidy forecasts minor (below £50k) variations including savings on temporary accommodation. Proposed use of an earmarked reserve in relation to the costs for the Kendrick Ash contract is reflected in management action.
<b>Total</b>	<b>1,057</b>	<b>410</b>	

### 3.2.26 Community Safety, Leisure, and Town Centre Operations

3.2.27 Leisure services is reporting a net overspend of £74k including employees £183k and £79k on utilities. This is partly offset by increased income of £197k. Work is ongoing in this area.

3.2.28 The latest forecast of the balloon festival outturn is an overspend against budget of £351k. It is believed that the main contributory factors are poor

attendance due to poor weather and additional infrastructure costs, partly offset by lower costs for electrical works. A small number of items have still to be finalised in relation to this forecast. It is proposed that the forecast corporate saving on the pay award is vired to offset this overspend, estimated at £147k.

- 3.2.29 Policy and Efficiency saving PS04 is duplicated in PS24, resulting in a £50k unachievable saving.
- 3.2.30 In the Museums service is reporting a net saving of £73k mainly due to grant income offset by related costs and vacancy savings.
- 3.2.31 A downturn in parking activity has resulted in a forecast shortfall in parking income of £174k as a result of the closure of the Greyfriars carpark due to an acid leak and the closure of the Newlands carpark to cash customers to accommodate the contract parkers displaced from Greyfriars. Overspends on premises costs of £100k have arisen. Work is ongoing in this area.
- 3.2.32 Employee savings on parking have been identified of £50k relating to 6 pay on foot posts, which are expected to be filled in December.
- 3.2.33 Community Safety is reporting an overspend on CCTV budgets of £90k due to an unachievable income target. Work has taken place within the service but has found no scope to achieve the shortfall in income.
- 3.2.34 Following management action and investigation savings within Community Safety have been identified to offset these overspends totalling £96k.

### **3.2.35 Customer Services**

- 3.2.36 The previously reported unachievable Efficiency Saving of £50k in the Print Unit was reported previously due to a duplication of budgets offered up.
- 3.2.37 The overspend relating to the print room having to outsource work due to breakdowns and inadequate equipment reported last month has increased by £58k to a forecast overspend of £98k now that investigations are complete. For future years an MTP option has been proposed to address this.
- 3.2.38 A total of £78k relating to minor variations (below £50k) has also been identified. This includes a £28k overspend on postage 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 most of this.
- 3.2.39 These overspends are offset by net savings (incorporating an overspend of £104k on temporary staff) of £37k and additional income of £267k.

### **3.2.40 Streetscene (General Fund)**

- 3.2.41 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.
- 3.2.42 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.
- 3.2.43 Construction services are reporting insufficient income to achieve its targeted break even position resulting in a forecast overspend of £182k, subject to

work that is planned for 2007/08 being completed by the end of March. Further work is taking place to confirm these estimates.

- 3.2.44 Contract hire costs for waste vehicles that were not built into the budget £75k, offset by savings on vehicle fuels of £71k.
- 3.2.45 Initial indications of the work undertaken on income levels show a cost of £173k against the additional £200k MRF income leaving a surplus of £27k.
- 3.2.46 The co-mingled recycle service no longer exists resulting in unachievable income of £78k.
- 3.2.47 Other minor variations (less than £50k) give a net cost of £72k. These are offset by vacancy savings of £289k and savings on furniture and equipment of £123k.
- 3.2.48 In accordance with the Cabinet decision of 5 November agreeing the relevant virements, the budgets in Streetscene have been re-aligned.

### 3.2.49 People, Planning & Regeneration

- 3.2.50 The RAG status for People, Planning, and Regeneration is Green as the Directorate is reporting a forecast overspend below than £50k. 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	170	170	£43k employee costs, £35k overspend on temporary staff covering vacancies, maternity and long term sick, £21k staff survey costs, plus Interim Corporate Manager cover £66k.
Regeneration and Growth	(130)	(130)	£375k employee savings offset by £245k cover for vacant posts.
Development: Building Control & Environmental Health	(1)	(1)	Net employee saving of £134k and savings on Transport costs offset overspends on consultancy £39k, rubbish removal at Ecton Lane £42k (net of DCLG grant), and shortfall in income due to activity downturn on Building Control £60k
<b>Total</b>	<b>39</b>	<b>39</b>	



### **3.2.51 Other Areas for Information**

- 3.2.52 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.
- 3.2.53 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.
- 3.2.54 Emerging issues of net £331k have been identified by Budget Managers. The most significant variations are in Community Safety, Leisure, and Town Centre Management. Managers are currently working to identify how this can be addressed.
- 3.2.55 The cessation of the Highways service is now reflected within this report at paragraph 3.2.43. Further work is taking place to confirm the estimates that have been included.
- 3.2.56 Work is ongoing in relation to the debt financing budget. Once this work has been carried out, there may be savings to declare in this area.
- 3.2.57 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.
- 3.2.58 The 2007/08 pay award has now 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. It is currently anticipated that a saving of approximately £147k may be achieved, and it is recommended that this be vired to alleviate the outcome of the balloon festival.

### 3.2.59 Improvement Fund

		£,000
	<b>Improvement Fund Balance as at 01.04.2007</b>	<b>500</b>
<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)
	<b>Total estimated Improvement Fund balance at 31.03.2008</b>	<b>187</b>

### 3.2.60 Corporate Initiatives (LABGI) Earmarked Reserve

		£,000
	<b>LABGI Balance as at 01.04.2007</b>	<b>860</b>
<i>Plus</i>	Additional LABGI allocation	147
<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 Scrutiny Post	(28)
<i>Less:</i>	Funding for Christmas Lights	(30)
<i>Less:</i>	Funding for Northamptonshire Rape Crisis Centre	(10)
<i>Less:</i>	Funding for Feasibility Studies in Regeneration	(173)
	<b>Total estimated LABGI balance at 31.03.2008</b>	<b>517</b>
<i>Less:</i>	Conditional Funding for Feasibility Studies in Regeneration	(85)
	<b>Total estimated LABGI balance at 31.03.2008</b>	<b>432</b>

- A further £2,750 will be required in 2008/09 for Delapre Abbey
- Of the conditional £215k allocated to Regeneration, Growth, and Community Development originally agreed for feasibility studies in the event of not securing match funding, £130k is no longer required as the match funding has been offered by NEL.

### 3.2.61 General Fund Balances\*

		£,000
	<b>General Fund Balance as at 01.04.2007</b>	<b>2,893</b>
<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>	Funding for Kendrick Ash contract	(250)
<i>Less:</i>	Funding for car parking	(250)
<i>Less:</i>	2007/08 forecast deficit attributable to General Fund as outlined in Table 1	(413)
	<b>Total estimated General Fund balance at 31.03.2008</b>	<b>2,278</b>

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

- 3.2.62 The £1,250k is actually budgeted to go into earmarked reserves, however it includes contributions against overspends on Kendrick Ash and concessionary fares (of which £312k has already been drawn down for concessionary fares). It is proposed that the £250k that was included in the contribution to reserves for the Kendrick Ash contract be vired to alleviate the corresponding overspend that is being forecast. It is also proposed that the £250k included in the contribution to reserves against car parking be vired to mitigate against the overspend that is currently being forecast in that area.
- 3.2.63 “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).

### **3.2.64 Housing Revenue Account (HRA)**

- 3.2.65 The latest projection for Housing HRA is a net underspend of £4k.
- 3.2.66 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.
- 3.2.67 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)**

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### **4.1 Policy**

- 4.1.1 The table at 3.2.2 shows that the budget will be overspent by £413k if the overspends identified are not addressed. This will impact on the level of reserves as shown above.

### **4.2 Resources and Risk**

- 4.2.1 This report informs the Cabinet of the provisional revenue budget outturn as at the end of October 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 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**

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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  
5 November 2007 Budget Monitoring 2007/08 – Position  
as at the end of September 2007

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