



CABINET REPORT

Report Title	REVENUE BUDGET MONITORING 2009/10 – POSITION AS AT THE END OF SEPTEMBER 2009
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	25 November 2009
Key Decision:	NO
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	David Perkins
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 forecast under spend of £295k net of management action.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council approved the General Fund Revenue Budget on 26th February 2009. The 2009/10 budget preparation process identified a substantial gap in funding. This was bridged by a combination of policy, efficiency and base budget savings to the value of £9.42m. These savings are in addition to the £6.2m of savings that were approved and achieved as part of the 2007/08 and 2008/09 budget setting processes.
- 3.1.2 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.
- 3.1.3 The Authority was notified of a revised provisional allocation of LABGI funding for 2009/10 of £124,425 on 29 July 2009. The grant determination for this was issued by CLG on 25 September. This allocation was based on the revised CLG methodology.

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.
- 3.2.2 Appendix 1 presents the identified variations from the approved budget that are giving rise to a forecast net under spend of £8k for services before management action and proposed use of reserves.

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

RAG	Directorate	2009/10 Original Budget	2009/10 Additional Budget	2009/10 Revised Budget*	Projected Outturn Actuals - End September 2009	Projected Outturn Variance to Revised Budget - End September 2009 pre actions	Proposed Application of Reserves & other Management Actions	Projected Outturn Variance to Revised Budget - End September 2009 post actions
		£,000	£,000	£,000	£,000	£,000	£,000	£,000
R	Environment and Culture	12,227	11	12,238	12,953	715	(287)	428
G	Finance and Support	17,133	(73)	17,060	16,437	(623)	0	(623)
G	Planning & Regeneration	2,831	10	2,841	2,846	5	0	5
R	Assistant Chief Executive*	4,043	255	4,298	4,412	114	0	114
G	Borough Solicitor	1,171	4	1,175	1,117	(58)	0	(58)
G	Housing (GF)	1,472	(26)	1,446	1,285	(161)	0	(161)
	Total	38,877	180	39,058	39,050	(8)	(287)	(295)

Note small variations are due to roundings.

3.2.4 £1,213k of the projected position relates to policy and efficiency savings that Budget Managers have indicated still require further work. Appendix 2 contains details of the progress being made to achieve the savings.

3.2.5 Included within the forecast is a projected under spend of £491k relating to employee budgets. This is the position net of the corporate vacancy target.

3.2.6 The remaining £730k under spend before action and funding virements relates to emerging issues identified by Budget Managers.

3.2.7 Overall these items give a forecast under spend of £8k before management action.

3.2.8 Management action to the value of £287k has been identified to partially mitigate the forecast over spend. These actions give rise to a net forecast under spend of £295k.

3.2.9 The under spend of £295k includes the monitoring of the vacancy saving target. The position in relation to the employee budget is shown in a specific column on appendix 1 for clarity.

Environment and Culture Directorate

3.2.10 The RAG status for Directorate of Environment and Culture is Red as the Directorate is forecasting an over spend above £100k. The reasons for the variance are explained below.

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Director of Environment and Culture	(2)	(2)	Various minor items below £50k
Head of Public Protection	19	19	Various minor items below £50k
Head of Neighbourhood Environmental Services	571	416	See below
Head of Leisure and Culture	134	134	See below
Town Centre Management	(7)	(7)	See below
Total	715	560	

Head of Neighbourhood Environmental Services

3.2.11 The service has indicated that it is unable to deliver savings to the value of £680k that were built in to the 2009/10 budget (see appendix 2).

3.2.12 Net employee variations show £79k under spend. The improvement of £75k in the forecast is due to a £46k reduction in overtime costs and the balance being mainly due to reduced agency staff, the effects of the 1% pay award and vacant posts.

3.2.13 In relation to recycling an over achievement of income £482k on green, plastic and metal waste has been partially offset by under achievement of income on paper and glass of £254k mainly due to price decreases in those markets.

3.2.14 A £50k saving on glass haulage costs due to fewer collections from bottle banks is offset by £270k overspend on additional haulage costs for green waste.

3.2.15 Offset by net under spend of £22k on items below £50k.

3.2.16 In addition the Head of Service is working in a number of areas to manage costs to deliver the service on budget overall.

3.2.17 As identified in Appendix two the following MTP options forecast an overspend at period 6 of £680k, part of an overall position on NES of £416k overspend after management action:

- Increase in Bulky Waste income
- Replace permanent staff with agency workers as and when they leave
- Reduce the level of service for grounds maintenance
- Introduction of wildflower areas
- Reduce frequency of mowing regime
- Re-provision of toilet facilities in the town centre utilising a Richmond type community facilities scheme involving local businesses.

3.2.18 In considering in detail the above MPT options, it is now clear that they are not achievable and that new savings plans need to be put in place to balance the budget for 2009/10 and bring about savings going forward in to future financial years. The following table gives the savings achieved to date against the above MTPs and the reasons for their reversal:

Description	Reversal Reason
Increased fee for bulky waste collection	This additional income of £90,000 will not be achieved due to a number of factors. First, the recession has impacted upon the number of new large goods that people are purchasing and therefore the number of lumbar items needing to be disposed of has reduced. Secondly, the retailers supplying white goods now provide a recycling service whereby they remove the old appliance upon delivery of the new one. During 2009/10 efficiencies have been identified through the rationalisation of this service and the consequent removal of a lumbar truck. It is anticipated that the current price increase may remain in place. Future savings plans include a sliding fees scale, however this requires further detailed financial modelling.
Replace staff with agency staff as and when they leave	<p>This MTP was to replace permanent staff with agency staff as they left the Council via natural wastage. A target of £300k was originally set. In addition MTP 40 & 41 were amalgamated at a later date adding £85,254 to the total. MTP 40 & 41 have now been achieved. In addition to the total savings target for this MTP (£385,254) there is a vacancy factor of £178K for the whole division of which £112,365 is the vacancy factor for the frontline. The vacancy factor can only be achieved through natural wastage due to the need to have all frontline staff in place. This equates to a total of £497,619 to be achieved through natural wastage.</p> <p>To date £326,619 has been achieved leaving £171k forecast as unachievable. This is due to the fact that people are now less likely to leave for new jobs due to the effects of the recession.</p> <p>There remains in place future plans to continue to replace leavers with agency staff however with a much reduced target that takes into account the vacancy factor of £112,365 for the division.</p>

Reduce level of service for grounds maintenance	This MTP was to make a number of changes to ground maintenance which included a reduction in grass cutting and a reduction of the operational staff by 7 posts. Also included was the removal of two Area Officer posts and a Recreation Officer. The total savings target was £332,533. The savings have all been achieved except for the removal of the two Area Officer and the Recreation Officer posts. This equates to £119k that will now not be achieved. This is because in considering the total impact that the removal of these posts would have on the service and the emerging plans for Neighbourhood Working etc, it was viewed that the removal of these posts in isolation to a review of the entire structure would be to the detriment of the total service.
Introduction of wild flower planting and reduction of mowing regime	<p>In order to achieve this savings target of £192k there would need to be a reduction in the number of frontline staff in grounds maintenance over and above the seven posts removed in the above savings plan. The removal of any further frontline staff at this time would be at the detriment of the service. Until the grounds maintenance schedules are realigned the service is currently running to capacity.</p> <p>In respect of the issue of the disparity between the number of cuts made to NCC land as apposed to the contracted number of cuts needs to be resolved. This will be by maintaining the verges to the contract specification as a result of the rescheduling of the service, or renegotiate/charge more for the service.</p>
Re-provision of toilet facilities in the town centre	Budget allocated allows for the toilets to be open for six months. Changes to shift working at Sheep Street has allowed the toilets to remain open for longer. The budget allocation has now run out and the toilets are due to be closed. Feasibility of the community toilet scheme will be given high priority to enable savings this financial year and going forward.

3.2.19 Work is currently underway to develop savings plans to replace the above MTPs with actions that will balance the budget 2009/10 and make savings going forward into 2010/11, and 2011/12 etc. These plans include a restructure of the division to reduce management costs, re-engineering the service to drive down costs and bring about efficiencies and potential savings as a result of the market testing of the service.

Head of Leisure and Culture

3.2.20 £172k overspend on staff costs in Leisure relating to non-achievement of vacancy factor of £80k within Leisure and Culture, £37k relating to a restructure, and £50k unmet agency staff savings.

3.2.21 £70k saving on utilities is offset by net overspend on items below £50k of £34k.

3.2.22 The MTP option to achieve a saving of £100k in salaries and wages will not be fully achieved. Although savings of approximately £100k will be achieved against this element of the budget other pressures on salaries and wages will offset these savings.

3.2.23 Management action to further increase income and tightly control expenditure will reduce the predicted overspend on salaries and wages to £40k. Further work still needs to be done to determine management action to address this predicted £40k overspend.

Town Centre Management

3.2.24 An overspend on rents payable in respect of change of contract on St Peters Way Car Park of £53k, which is offset by £108k additional daily ticket income.

3.2.25 These are offset by net over spend of £62k on items below £50k.

Finance and Support Directorate

3.2.26 The RAG status for Finance and Support is Green as the Directorate is forecasting an under spend. The reasons for the variance are explained below.

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Director of Finance and Support	(51)	(51)	Employee savings net of the corporate vacancy target.
Head of Finance and Assets	(659)	(659)	See below.
Head of Revenues and Benefits	120	120	See below.
Head of Customer Services and ICT	7	7	Various minor items below £50k
Head of Human Resources	(46)	(46)	Employee savings net of the vacancy target £63k offset by various items below £50k
Head of Procurement	6	6	Various minor items below £50k
Total	(623)	(623)	

Head of Finance and Assets

3.2.27 Employee savings net of vacancy target give a £212k forecast under spend.

3.2.28 Loss of external rent income £66k due to properties becoming vacant. This is offset by £40k additional income from rent reviews undertaken.

3.2.29 £345k saving on Concessionary Fares due to reimbursement rate being lower than budgeted for and a decrease in trip activity.

3.2.30 There is a £111k under spend on property costs mainly due to a £77k saving from reduction in NNDR charges largely relating to a rebate on Thornton Park Depot and a £16k under spend on utility charges.

3.2.31 Additional income of £83k mainly due to successful business rates challenge and income relating to an insurance claim.

3.2.32 In addition there are net costs of £66k on various items below £50k.

Head of Revenues and Benefits

3.2.33 The value of rent allowances paid out by the council has increased as direct result of the recession. The council does not recover the full value of all rent allowances and therefore the increased payment of rent allowances has produced a variance to the budget of £120k.

Planning & Regeneration Directorate

3.2.34 The RAG status for People, Planning, and Regeneration is Green as the Directorate is reporting an over spend of less 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	
Director of Planning and Regeneration	(6)	(6)	Various minor items below £50k
Head of Planning	55	55	See below.
Head of Regeneration and Development	(44)	(44)	£73k employee savings net of corporate vacancy target offset by net over spend £29k on items below £50k.
Total	5	5	

Head of Planning

3.2.35 Planning has a net saving on employees of £105k net of vacancy factor mainly relating to changes in retention payments and the 1% pay award settlement.

3.2.36 The credit crunch continues to have an adverse impact on planning income, with a £95k under achievement of building control income and £47k on Development Control income.

3.2.37 In addition there is a net over spend of £18k on various items below £50k.

Borough Solicitor

3.2.38 The RAG status for the Borough Solicitor is Green as the Service is reporting an over spend of less 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	
Borough Solicitor	(58)	(58)	Net employee savings and income from recovery of court costs.
Total	(58)	(58)	

Assistant Chief Executive

3.2.39 The RAG status for Directorate of Assistant Chief Executive is Red as the Directorate is forecasting an over spend of more than £100k. The reasons for the variance are explained below.

Service Area	Forecast Variance before Action £,000	Forecast Variance after Action £,000	Narrative
Assistant Chief Executives	(69)	(69)	Various minor items below £50k.
Head of Policy and Community Engagement	192	192	The Community Centres saving of £190k will not be achieved in 2009/10. Negotiations are underway with savings to be achieved in future years.
Head of Performance and Improvement	(18)	(18)	Net employee savings.
Director of Local Strategic Partnership	1	1	Net employee over spend.
Chief Executives	8	8	Various minor items below £50k
Total	114	114	

Housing Directorate (General Fund)

3.2.40 The RAG status for the Directorate of Housing is Green as the Directorate is reporting an under spend. The reasons for the variance are explained in the table below.

Service Area	Forecast Variance before Action*	Forecast Variance after Action*	Narrative
	£,000	£,000	
Director of Housing	(5)	(5)	Various minor items below £50k
Head of Housing Strategy, Investment and Performance	10	10	Various minor items below £50k
Head of Landlord Services	0	0	N/A
Head of Housing Needs and Support	(166)	(166)	See Below
Total	(161)	(161)	

Head of Housing Needs and Support

3.2.41 A saving of £113k has been made on employees net of Vacancy Factor and incorporating the 1% pay award..

3.2.42 £97k of savings have been achieved within Home Choice & Resettlement supplies and services. This is mainly due to increased costs of grants spent £344k being offset by savings of £441k on Private Sector Leasing

3.2.43 The remaining £44k relates to a net overspend on items less than £50k.

Other Areas for Information

3.2.44 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.

Improvement Fund

3.2.45 The opening balance on the Improvements Reserve for 2009/10 was £1m. In September 2009 approval was given in line with the Council resolution of 26 February 2009 to draw down £150k of this earmarked reserve for a Programme Manager for SBR and other key change projects.

Corporate Initiatives (LABGI) Earmarked Reserve

3.2.46 The opening balance on the Corporate Initiatives Reserve for 2009/10 was £351k. The unearmarked element of this reserve has been ring fenced to Regeneration and Development by Council resolution of 26 February 2009.

	£,000
LABGI Balance as at 01.04.2009	351
Royal and Derngate Theatre Trust	-8
Earmarked in 2008/09 B/fwd:	
Fish Market	-26
Leisure Feasibility	-25
Leisure Feasibility – Conditional Element	-30
Car Parking Feasibility	-20
Market Square	-20
Links View Flood Investigation	-3
Total estimated LABGI balance at 31.03.2009	219

3.2.47 An amount of £8k has been drawn down from this Earmarked Reserve in line with the Council resolutions of 26 February 2009.

General Fund Balances

3.2.48 Following the completion of the closure of the year-end accounts 2008/09 the forecast opening General Fund Balance for 2009/10 was revised to £2,006k.

3.2.49 At the meeting on 14 October 2009 Cabinet agreed to appropriate the unclaimed increase in members' allowances 2008/09 from reserves to CEFAP for investment in communities. This would have been part of the 2008/09 movement in balances, so will impact on the General Fund balance.

Housing Revenue Account (HRA)

3.2.50 A separate report detailing the HRA position appears elsewhere on the agenda.

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 whether 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 3.2.4 shows that the budget is forecast to be under spent by £295k after management action and proposed use of reserves.

4.2 Resources and Risk

- 4.2.1 This report informs the Cabinet of the forecast revenue budget outturn as at the end of September 2009.
- 4.2.2 There will be an ongoing impact on future year budgets of not achieving savings contained within the 2009/10 budget.

4.3 Legal

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

4.4 Equality

- 4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 Chief Executive, Directors, Heads of Service, and Budget Managers have been consulted.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 Monthly budget monitoring relates to improving the CAA Use of Resources score, which contributes to the priority of being a well-managed organisation that puts the customer at the heart of what we do.

4.7 Other Implications

- 4.7.1 Not applicable

5. Background Papers

- 5.1 Council Report 26th February 2009 (General Fund Revenue Budget 2009/10 – 2011/12),
- 5.2 Cabinet Report 29th June 2009 (General Fund Budget Outturn 2008/09)
- 5.3 Cabinet Reports 5 August 2009 Revenue Budget Monitoring Position as at End of May 2009
23 September 2009 Revenue Budget Monitoring Position as at End of June 2009
14 October 2009 Revenue Budget Monitoring Position as at End of July 2009
4 November 2009 Revenue Budget Monitoring Position as at End of August 2009

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