



**NORTHAMPTON  
BOROUGH COUNCIL**

<b>Name of Committee</b>	<b>CABINET</b>
<b>Directorate:</b>	Governance and Resources
<b>Director:</b>	Ian Thompson, Interim Finance Director
<b>Date:</b>	19 <sup>th</sup> December 2006

<b>Report Title</b>	Budget Monitoring 2006/07
---------------------	---------------------------

<b>Key Decision</b>	<b>Yes</b>
---------------------	------------

## 1. Recommendations

Cabinet is invited:

- to note the report and approve the management action being taken to contain the forecast overspend
- to note that the potential impact for future years is covered by a separate report on the agenda.

## 2. Summary

2.1 The report indicates the current year projected outturn position with Appendix 1 providing further background information. The report also refers to management action being taken in response to the forecast to minimise the impact on the council's general reserves at the end of the financial year.

### 3. Report Background

3.1 The report on the Revenue Budget for 2007/08 and later years forming part of the Cabinet agenda for the 4<sup>th</sup> December meeting indicated that a report on the current year forecast outturn position was in course of preparation. Based on the available information to the end of November (period 8), budget managers in conjunction with finance support staff have now prepared detailed forecasts of expenditure and income to the end of the current financial year.

3.2 Initial indications were that net expenditure for the year could potentially exceed the approved budget by some £3.9m. Concerted action by budget managers has identified that this figure can be revised downwards to a net overspend of £1.9m. An outturn position of this order would have the effect of depleting the council's general reserves which amounted to some £2.9m at the start of the financial year.

3.3 Officers are continuing to work to identify opportunities for replenishing the reserves in support of the 2007/08 budget and there is the potential to identify approximately £1m on a one-off basis by a combination of:

- (a) capitalising revenue expenditure where this has been legitimately incurred in support of capital schemes (for example, staffing costs and professional fees where this expenditure relates to regeneration schemes and where there is a high expectation of realising future capital receipts). This approach is not without risk. Should specific schemes not proceed, costs would have to be recharged to the revenue budget in the year that becomes clear.
- (b) reviewing Section 106 contributions currently held on the balance sheet but where the associated works have been undertaken using council resources in previous years
- (c) reviewing a range of notionally earmarked reserves and provisions forming part of the council's balance sheet to identify funds that may be released into the general reserves without risk.

3.4 In relation to (c) above, it is considered prudent to retain any surplus on the insurance reserve as a provision against potential clawback of benefits subsidy. It will be recalled that during 2005/06 it was identified that the earmarked insurance reserve was potentially over-provided. The expressed intention was that any surplus at the end of the financial year should be released into general reserves in order to ensure that the reserves in support of the 2006/07 budget were adequate. In the event, the final outturn for 2005/06 was about £1m better than had been previously forecast (although the final position was nevertheless a significant overspend relative to the approved budget) and it was not necessary to take this action. There is a now further complication in that the audit of the Benefit Subsidy claims for 2004/05 and 2005/06 has revealed that there may have been an overclaim of subsidy. Officers and retained external specialists are currently negotiating the scale of any clawback with the external auditors and the Department of Work and Pensions.

3.5 Appendix 1 shows in some detail the identified variations from the approved budget that are giving rise to the forecast net overspend of some £1.9m. Brief

explanations are also given. A number of key budgets that were carried into 2006/07 from previous years were not realistic and did not adequately reflect current activity levels. This has become apparent as the financial year has unfolded and those managers tasked with managing and monitoring devolved budgets for the first time have begun to identify significant variances. Major examples are in relation to income from car parking, markets and trade waste. Where there is a clear expectation that the budget shortfall will continue into 2007/08 and subsequent years, then this has had to be addressed as part of the budget setting exercise covered by another report on this agenda.

3.6 The single most significant variance relates to concessionary fares. A new statutory scheme for England was introduced on 1st April 2006 following introduction in Scotland and Wales a year earlier. One of the underlying principles is intended to be that the bus operators should neither be worse off than before nor profit from the scheme. In setting the budget for 2006/07, in common with the other Northamptonshire district councils, officers took advice from WS Atkins who act as agents to the county council. Northampton Borough Council's scheme was based on the minimum statutory requirement with enhancement to incorporate the 'Dial A Ride' scheme. Based on the advice received, the council's previous budget was increased by £550k to a total level of c.£1.2m. However, as shown by the appendix, the current forecast overspend is of the order of £890k and officers have given the required statutory notice to the bus operators in relation to a revised method of funding for 2007/08 (noting that this may be subject to appeal). The draft budget for 2007/08 and later years reflects the potential impact of this together with an assessment of the associated risks.

3.7 As indicated above managers have already taken action to minimise the overall net impact on council finances. This has included identifying where there is scope for efficiencies and ceasing expenditure on supplies and services where this could be achieved without detriment to public service delivery. In addition, appointment to staff vacancies is subject to rigorous appraisal against a set of criteria in order to ensure that value for money can be demonstrated (for example, where permanent appointment would be more cost effective than the employment of temporary agency staff).

3.8 Cabinet is invited to note the report and approve the actions being taken both to contain net expenditure in the current year and to minimise the impact on the council's reserves at the end of the financial year.

#### **4. Options and Evaluation of Options**

4.1 Options for constraining expenditure have been considered and taken where this can be achieved without detriment to front line service delivery.

#### **5. Resource Implications (including Financial Implications)**

5.1 See section 3.

#### **6. Risk and Opportunity Issues**

6.1 These mainly relate to the ongoing impact in future years and the level of general reserves that will need to be retained to mitigate risk. A separate report on this agenda deals with this.

#### **7. Consultees (Internal and External)**

<b>Internal</b>	CE, Directors, Corporate Managers.
<b>External</b>	N/a

#### **8. Compliance Issues**

##### **A: How Proposals Deliver Priority Outcomes**

<b>Recovery Plan</b>
N/a
<b>Corporate Plan</b>

N/a
-----

**B: Other Implications**

<b>Other Strategies</b>
-------------------------

N/a
-----

<b>Finance Comments</b>
-------------------------

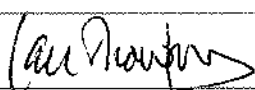
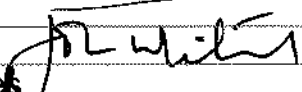
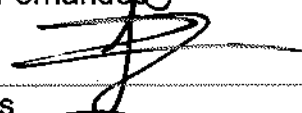
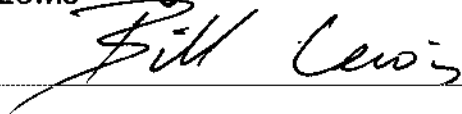
See above
-----------

<b>Legal Comments</b>
-----------------------

**9. Background Papers**

Title	Description	Source

Ian Thompson, Interim Finance Director, ext 8744

Name	Signature	Date	Ext.
Author	Ian Thompson 	18.12.06	8744
Corporate Manager	N/a		
Director	John Whiteoak 	18.12.06	8706
Monitoring Officer or Deputy (Key decision only)	Francis Fernandes 	18.12.06	7334
Section 151 Officer or Deputy (Key decision only)	Bill Lewis 	18.12.06	

# General Fund Revenue Budget - Forecast Outturn Variance 2006/2007

	2006/07 Annual Budget	2006/07 Forecast Outturn (Under) / Over Spends	Note
	£000	£000	
<u>Performance, IT &amp; Improvement</u>			
Information Technology		-29	1
	2,974	-29	
<u>Finance &amp; Asset Management</u>			
Other Land and Buildings		135	2
Pensions Added Years and Severance Costs		541	3
Markets		232	4
Other Services		-69	5
	5,489	839	
<u>Community Safety, Leisure &amp; Town Centre Operations</u>			
Car Parking		808	6
Balloon Festival		102	7
Town Centre Management		45	8
Leisure Centres		-80	9
Other Services		-236	10
	-777	639	
<u>Customer Services</u>			
One Stop Shop		420	11
Other Services		-185	12
	3,031	235	
<u>Streetscene &amp; Property Maintenance</u>			
Recycling		-209	13
Domestic Refuse		-63	14
Highways Agency		126	15
Trade Refuse		397	16
		-207	17
	10,617	44	
<u>Development - Building Control &amp; Environmental Health</u>			
Building Control		-80	18
Other Services		-93	19
	2,422	-173	
<u>Regeneration, Growth &amp; Community Development</u>			
Concessionary Fares		890	20
Regeneration		442	21
Other Services		-501	22
	4906	831	
<u>Housing Services</u>	2,183	-54	23
<u>Human Resources</u>	1,558	72	24
<u>Governance, Resources &amp; Communication</u>	2,741	13	25
<u>Chief Executives</u>	813	189	26
Estimated Savings from In Year Recruitment Controls	0	-300	
<b>Outturn Variance Prior to Financing Adjustments</b>	<b>35,757</b>	<b>2,286</b>	
<u>Financing Adjustments</u>			
Unallocated Section 106 Receipts	0	-250	
Capitalisation of Revenue Expenditure	0	-70	
	0	-320	
<b>Revised Forecast Outturn Variance</b>	<b>35,757</b>	<b>1,966</b>	

**Notes to Forecast Outturn Variance 2006/07**

1	Savings have been achieved on the running costs of the internal telephone system
2	Under recovery of budgeted income for rent. Rent was budgeted for Demgate Theatre however they were granted a rent free period. This was not reflected in the budget.
3	Overspend on Pensions due to the effect of Root & Branch. Added years and pension costs that could not be capitalised as they related to the enhanced element of the severance scheme.
4	Budget reflected historic levels of Open Market activity. In addition, income has been lost due to the vacation of the Market Hall and expenditure has been incurred in relation to compensation payments to Market Hall traders.
5	Savings have been achieved as a result of reductions in the external audit fee. In addition the Division has and will continue to hold a number of posts vacant.
6	The budgeted level of income for car parks will not be achieved partly because the base budget was overstated.
7	The budgeted profit for the festival was not achieved. Increased costs were incurred in relation to catering. Income for car parking was lower than anticipated due to poor weather.
8	Non achievement of the budgeted income for the Town Centre Management Partnership. This was due to the Town Centre Manager post being vacant for a significant period of time.
9	Additional Leisure centre income is predicted as a result of increased activity due to the new gym equipment and the post Christmas activity increase. The additional income offsets the overtime costs incurred to cover sickness/leave absence of the Duty Officer.
10	Savings relating to vacant posts within Community Safety, Health and Safety, Events and Arts.
11	Additional cost of the CAPITA Contract for the Customer Contact Centre combined with the cost of additional Customer Services Officers.
12	Significant savings have been achieved due to management action of holding posts vacant and reducing expenditure on Supplies and Services.
13	The service is forecasting additional recycling income to that budgeted. In addition the service will not spend the Waste Performance Efficiency Grant this year.
14	A variety of savings have been identified due to management action to achieve efficiencies. Savings in relation to the employees budgets will be achieved due to reducing overtime and managing sickness more effectively. The cost of the Christmas Collection will be contained within the forecast.
15	The budgeted income will not be achieved as a result of reduced trading activity.
16	The Trade Refuse Service is unable to achieve the budgeted income. The service is performing close to maximum capacity hence limiting its ability to gain any further income.
17	Savings have been achieved due to staff vacancies, reduction in the use of temporary staff and supplies and services expenditure within Parks and Open Spaces, Neighbourhood Wardens, Street Cleaning and Cemeteries.
18	Additional income will be achieved for Building Regulations
19	Savings in relation to vacant posts within Environmental Health
20	The cost of the Concessionary Fares service is higher than budgeted (see main report).
21	Additional costs have been incurred in relation to the use of Consultancy Services to cover vacant posts.
22	Savings have been achieved in relation to vacant posts. These savings have been utilised to meet the cost of consultancy staff to cover the vacant posts.
23	Savings have been achieved in relation to vacant posts. In addition, reductions in expenditure have been identified, due to the improvement in the turnaround of Void properties.
24	Additional costs of conducting the Pay and Grading Review of £112k will be incurred. This has been partially offset by savings within the centralised training budget as a result of management action to reduce additional training activity.
25	Additional licensing income has been received as a result of the changes in Liquor licensing. This income has been offset by additional employee costs in relation of consultancy arrangement to cover vacant posts.
26	Additional costs have been incurred for consultancy and interim management to cover key vacancies.