



CABINET REPORT

Report Title	GENERAL FUND REVENUE BUDGET OUTTURN POSITION 2008/09
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	29 th June 2009
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr David Perkins
Ward(s)	N/A

1. Purpose

- 1.1 This report identifies the outturn position for the 2008/2009 General Fund Revenue Account.

2. Recommendations

- 2.1. That the outturn position for the revenue General Fund be noted.
- 2.2. Cabinet note the net movement in Earmarked Reserves of £329k as detailed in Appendix 3 and summarised in the following table:

Reserve	Balance 01/04/08	Transfers to/(from) Reserves	In Year Use of Reserves	Balance 31/03/09
	£000	£000	£000	£000
General Fund Earmarked Reserves (Excluding HRA Reserve)	8,521	935	(1,264)	8,192

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council approved the General Fund Revenue Budget on 28th February 2008. The 2008/09 budget preparation process identified a substantial gap in funding. This was bridged by a combination of policy, efficiency and base budget savings of £6.87m. This included a requirement for use of reserves and balances of £360k.
- 3.1.2 During September the authority was notified that it had been awarded an additional sum of £83k LABGI funding.
- 3.1.3 The Council was granted a capitalisation directive for severance costs on 30th January 2009. In accordance with the conditions of the directive, it has been possible to capitalise severance costs of £808k. This is reflected in the final 2008/09 General Fund Account.
- 3.1.4 The Council was granted a capitalisation directive for Single Status related pay costs on 26th September 2008. In accordance with the conditions of the directive, it has been possible to capitalise Single Status costs of £512k. This is reflected in the final 2008/09 General Fund Account.

3.2. Summary

3.2.1. The final outturn position for the Controllable General Fund Service Accounts is an under spend of (£446k) as shown in the following table:

	2008/2009 Revised Budget	2008/2009 Outturn Actuals	2008/2009 Outturn (Underspend) / Overspend
	£000	£000	£000
Assistant Chief Executive	4128	4344	216
Director of Planning and Regeneration	2836	2614	-222
Director of Finance and Support	18253	14701	-3,552
Director of Housing	1546	1516	-30
Borough Solicitor	1316	1355	39
Director of Environment and Culture	13166	13529	363
Total Variations within Budget Managers Control	41,245	38,059	-3,186
Technical Adjustments within Controllable Budgets	0	2740	2,740
Total Variations Within Controllable Service Budget	41,245	40,799	-446

3.2.2. The most recent reported projection for the 2008/2009 General Fund Controllable Service Revenue budget was a forecast under spend of (£385k). This would represent an under spend of (£247k) once adjusted for technical accounting adjustments. The comparable final outturn position for Controllable Service budgets is an under spend of (£446k) giving rise to a difference between the forecast and actual Controllable outturn variance of £199k.

3.2.3. Many of the outturn variations have already been addressed as part of the 2009/10 budget setting process however, all outturn variations identified within the 2008/09 accounts will be investigated to identify if any savings/overspends are ongoing and need to be reflected within the current forecast and future year budgets. The next 2009/2010 budget monitoring report to Cabinet will provide more detail concerning any recommended budget revisions and management actions required to ensure that the budget remains in balance for the current financial year and provides a robust basis for the Medium Term Financial strategy and service delivery planning.

3.3. General Fund Budget

- 3.3.1. During 2008/09, Cabinet approved the use of reserves in specific areas. Some of these reserve allocations were not fully spent. As a result, the unspent reserve funding of £140k, has been placed back in the appropriate reserve for use within the 2009/10 financial year.
- 3.3.2. £16k of the unused reserve funding will not be required in 2009/10 and has been put back into the General Earmarked Reserves.
- 3.3.3. After a net contribution to General Fund Earmarked Reserves of £329k, the level of working balances carried forward to underpin the 2009/10 budget is £2.0m. The Council has undertaken a risk-based assessment of working balances and recommends that the General Fund working balance should not fall below £2.0m.
- 3.3.4. The Council also holds Earmarked Reserves of £8.2m (excluding HRA Reserve) to mitigate specific risks that the Council will be exposed to including the need for service improvement. Appendix 3 to this report identifies the Earmarked Reserves.

3.4. Controllable Service Budget Outturn

- 3.4.1. In period 10 of 2008/09, the forecast outturn position reported to Cabinet for the Controllable Service budgets was an under spend of (£385k).
- 3.4.2. Controllable Service Budgets include Employees, Transport Costs, Premises Costs, Supplies and Services, Transfer Payments, Contract Payments and Income. They exclude Capital Charges, Support Service Recharges and Debt Charges
- 3.4.3. Controllable Service budgets are subject to technical year-end accounting adjustments for pensions, provisions and revenue expenditure funded by capital under statute. These adjustments cannot be anticipated with any real accuracy and therefore are not reflected in the forecast outturn position that is reported to Cabinet throughout the financial year.
- 3.4.4. The comparison between the period 10 forecast outturn position that was reported to Cabinet and the final outturn position, is therefore distorted by these accounting adjustments. To enable a more meaningful comparison between the two outturn positions, the period 10 forecast has been adjusted to reflect the impact of year end technical accounting adjustments. Appendix 2 to this report provides a comparison of the adjusted period 10 forecast and the final outturn position.
- 3.4.5. The final outturn position for the General Fund Account for 2008/2009 including technical accounting adjustments is an over spend of £685k. Appendix 1 to this report provides a detailed explanation of the outturn position

3.5. Technical Accounting Adjustments

- 3.5.1. As identified above, Controllable Service Budgets are subject to technical accounting adjustments for pensions, which impact on individual services during the year. At year-end it is necessary to undertake accounting adjustments to ensure that the accounts of the Council meet pension accounting requirements.
- 3.5.2. This results in what appears to be a significant under spend of Controllable Service budgets that is offset by a charge elsewhere within the General Fund Account.
- 3.5.3. With effect from 2008/09, Controllable service budgets are subject to technical accounting adjustments for Revenue Expenditure Funded from Capital under Statute.
- 3.5.4. Previously the Council was able to classify specific types of expenditure as capital so that capital resources could finance it. This expenditure was not charged to the Controllable service accounts. However, changes to accounting practice in 2008 dictate that where such expenditure does not result in the creation of an asset that is owned by the Council, expenditure must be charged to the appropriate Controllable service revenue account.
- 3.5.5. This charge is then reversed as a technical accounting adjustment elsewhere within the General Fund Account. This accounting adjustment results in no impact on the General Fund Account but does result in additional expenditure being charged to Controllable Service accounts that was not budgeted for or contained within any forecast. Expenditure of £3.1m has been incurred by the Council that falls within this category. For ease of comparison, this expenditure has been removed from the service outturn variances in the annexes to this report.

3.6. Project Carry Forwards

- 3.6.1. Where a Project Carry Forward relates to a project started in 2008/09, but not able to be completed, it is proposed that funding is earmarked within General Reserves. Once approved, in line with the recommendation of Council at it's meeting on 28 February 2009, this can be drawn down by services in 2009/10. A formal request for the use of reserves will need to be approved by the Chief Finance Officer. The following table identifies the project carry forwards:

Project Carry Forward	Amount
	£000
Pension Strain Costs	590
Joint Planning Unit	138
Hazelrigg House Dilapidations	32
Museums Till System	3
Local Strategic Partnership	38
Sustainability Project	22
Central Area Action Plan	73
Training	25
Northamptonshire Area Procurement Service	12
Total	933

3.7. Year End Reserve Movements

3.7.1. The following table identifies the closing Reserve Account balances excluding the HRA Reserve. Appendix 3 to this report provides a detailed analysis of the movement on the Reserve Accounts.

Reserve	Balance 01/04/08	Transfers to/(from) Reserves	In Year Use of Reserves	Balance 31/03/09
	£000	£000	£000	£000
Corporate Initiatives	886	(360)	(175)	351
Service Improvements	215	1,000	(215)	1,000
General Reserve	2,135	1,568	(491)	3,212
Building Maintenance	676	(176)	0	500
Benefits Claw back	1,300	(1,300)	0	0
Subsidy Equalisation	550	(50)	0	500
Insurance Reserve	2,236	(208)	(51)	1,977
NTR (Core Business Systems)	500	1	(332)	169
Debt Financing	0	460	0	460
Arts	23	0	0	23
Total (Excluding HRA Reserve)	8,521	935	(1,264)	8,192

3.7.2. Transfers of £360k have been made from the Corporate Initiatives Reserve with respect to the budgeted use of reserves within the 2008/09 budget. In year usage of reserves of £175k has been approved and applied. This takes the reserve balance to £351k.

3.7.3. A transfer of £1m has been made into the Service Improvement Reserve to meet the potential costs arising from the Strategic Business Review process.

3.7.4. The following key transfers to and from the General Earmarked Reserve have been actioned to mitigate future risks that the Council will be exposed to:

- The addition of £933k to the General Earmarked Reserve to meet the cost of Project Carry Forward Bids submitted by Managers. Appendix 3 and section 3.49 of this report contains details of these bids.
- The transfer of £1279k from the General Earmarked Reserve for Premia Adjustment. This has been reallocated to other reserves to mitigate specific risks.

- The addition of £250k to the General Earmarked Reserve for Car Parking to mitigate the risk of further downturn in Car Parking activity.
 - The addition of £800k to the General Earmarked Reserve for Pay and Grading taking the closing balance to £945k.
 - The General Earmarked Reserve contains an earmarked allocation of £510k for Concessionary Fares. £200k of this has been applied in 2008/9 leaving a closing balance of £310k.
 - The General Earmarked Reserve for Restructuring of the Council stands at £386k after usage within 2008/09 of £114k of the reserve.
- 3.7.5. A transfer has been made from the Building Maintenance reserve of £176k to meet the budgeted use of reserves contained within the 2008/09 budget.
- 3.7.6. The reserve for Benefits Claw back has been deleted. The high-risk historic claims that the reserve was established to meet the potential cost of have now been settled and closed.
- 3.7.7. Improvements within the Revenues and Benefits service have resulted in a decrease to the risk that the Council is exposed to with regards to Subsidy Equalisation. It is proposed that £50k that is unearmarked from the Subsidy Equalisation reserve. This leaves a closing balance of £500k.
- 3.7.8. The net movement on the Insurance reserve of £259k reflect changes to the actuarial valuation of outstanding and anticipated insurance claims.
- 3.7.9. Usage of £332k of the Core Business System reserve was approved and applied in 2008/09, leaving a closing balance of £169k. This reserve is to meet the costs of maximising the use of the efficiency and control benefits that are available within the upgraded Core Business System. In addition, work will be undertaken to investigate if the Core Business System can be used for Fixed Assets and Accounts Receivable, to replace the outdated legacy systems that are currently in use.
- 3.7.10. As a result of the economic recession the Council has experienced pressure with regards to the management of its debts and investments. A reserve has been created for £460k to mitigate the risk that the Council may be exposed to should the economic downturn continue.

3.8. General Fund Balance

3.8.1. The following table identifies the movement in the General Fund Balance:

General Fund Balances		£000
	General Fund Balance as at 01.04.2008	2,691
Less:	Budgeted Use of Reserves	(80)
Less:	Budgeted Use of Balances	(280)
Less:	Funding for Car Parking	(250)
Plus:	Technical Accounting Adjustments	610
Less:	General Fund Deficit	(685)
	General Fund Balance as at 31.03.2009	2,006

3.9. Choices (Options)

- 3.9.1. Cabinet is invited to note the report and the explanations of the outturn position and reasons for the change since the forecast outturn position.
- 3.9.2. Cabinet is asked to note the proposed movements in the Reserve Accounts.
- 3.9.3. Consideration must be given as to if further management action can be taken to achieve those savings that have been identified as not achieved in 2008/09.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The outturn position impacts on the level of reserves as shown in Appendix 3.

4.2 Resources and Risk

- 4.2.1 This report informs the Cabinet of the General Fund Revenue budget outturn.
- 4.2.2 The impact of individual outturn variances needs to be assessed against the current and future year budgets.

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, Heads of Service, and Budget Managers have been consulted.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 Annual outturn reporting relates to improving the CAA 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 – Budget Monitoring 2008/09 – Reports of 14 July 2008, 4 August 2008, 1 September 2008, 15 October 2008, 26 November 2008, 22 December 2008, 4 February 2009, 25 February 2009, 18 March 2009

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