

**BABERGH DISTRICT COUNCIL**

**FROM: Director of Finance**

**REPORT NUMBER: H78**

**TO: STRATEGY COMMITTEE**

**DATE: 31 July 2008**

**2007/08 FINANCIAL OUTTURN**

**1 PURPOSE OF REPORT**

- 1.1 To advise on the proposed approach for dealing with the savings that have resulted from variations in expenditure and income compared to the budget that arose in 2007/08 and approve a number of key budget carry forward requests.
- 1.2 To note that more rigorous arrangements are being put in place to strengthen financial management and budgetary control of both these carry forwards and current year budgets.

**2 RECOMMENDATIONS**

- 2.1 That the revenue budget carry forward requests detailed in Appendix A of the report are approved.
- 2.2 That an Earmarked Reserve of £100,000 is created from the budget savings that arose in 2007/08 to deal with any essential Local Government Review work that may be necessary and that the Chief Executive be authorised, in consultation with the Chairman of Strategy Committee, to utilise this.
- 2.3 That the Strategic and Financial Planning Task group consider whether any of the remaining General Fund savings in 2007/08 of £205,000 should be allocated towards priorities contained in the Medium-Term Strategic Plan Action Plans.

Strategy Committee can approve these matters.

**3 FINANCIAL IMPLICATIONS**

- 3.1 The savings that arose in 2007/08 compared to the budget have resulted in there being more money in reserves, both for the General Fund and the Housing Revenue Account (Council Housing).
- 3.2 These additional reserves can be used to support the Council's strategic priorities and key projects.

#### 4 **RISK MANAGEMENT**

4.1 The report links to the Significant Business Risk No.7, Financial, Performance and Risk Management. Key risks are set out below:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Seriousness or Impact</b>	<b>Mitigation Measures</b>
Budget Carry forwards are not fully spent	Low	Marginal	Increased monitoring, profiling and challenge of spending needs and timing of these

#### 5 **KEY INFORMATION**

##### **Overall position**

5.1 The financial outturn position for last year was presented to the Council meeting on the 26 June (Paper H59) as part of the approval of the Statement of Accounts for 2007/08. The following recommendations were amongst those agreed:

- (a) That the position on budget carry-forward requests be noted, subject to these being considered further by the Strategy Committee to establish if there is any scope for redirection to other key projects or priorities.
- (b) That the Strategy Committee also considers the potential use of the net General Fund underspend/savings in 2007/08 for key projects or other priorities, including establishing an earmarked reserve to provide additional capacity to deal with work relating to LGR.

5.2 The total variation/underspend on the revised General Fund Revenue Budget for the year was £960,000 and, on the total revised capital programme, £768,000. The overall position on revenue budget carry forward requests for each key area of the Council's activities is summarised below:

	Revenue Budget £000	Capital Programme £000
Divisional Budgets/CAST*	252	-
General Fund	510	204
Council Housing	160	581

\*75% General Fund/25% Council Housing

## **Revenue Budget**

- 5.3 Carry forward requests over £20,000 require Member approval. Details are set out in Appendix A and these have been rigorously scrutinised to ensure they relate to work that meets the Council's Strategic Plan priorities.
- 5.4 After these carry forward requests, the net saving to the General Fund will result in there being £264,000 more in reserves. This money could be allocated as follows:
- Medium-Term Strategic Plan priorities (that require additional funding that cannot be found by redirecting resources from elsewhere)
  - An Earmarked Reserve of, say £100,000 in total to deal with the work arising from LGR – there is already £21,000 available from the Suffolk Pathfinder project and Appendix A also includes £20,000 to cover potential recruitment costs. So, a fund of this amount would involve setting aside a further £59,000.
- 5.5 The Strategic and Financial Planning Task Group will be considering Resource Allocation in relation to the actions set out in the Medium-Term Strategic Plan and it is proposed that it should have regard to the net additional potential funding of £205,000 in formulating the 2009/10 Budget.
- 5.6 In terms of Council Housing, the net saving of £150,000 will be added to reserves and can also be taken into account in formulating the Budget for 2009/10 and any additional spending priorities.

## **Capital Programme**

- 5.7 On both the General Fund and Council Housing, the budget carry forward requests have again been subject to rigorous scrutiny. Members approval to these requests, as detailed in Appendix B, is sought on the understanding that officers will continue to:
- Monitor and review spend on these and the projects/schemes already approved capital programme for this year
  - Reallocate funds as appropriate eg on Council Housing, linked to strategic priorities and, for example, to address energy efficiency/fuel poverty where this is possible.
- 5.8 In addition, all projects/schemes (over and above the key projects that were considered by the Committee on the 19 June) are being reviewed to have regard to LGR considerations.

## **Financial Management**

- 5.9 The Council's outturn position for the past few years has followed a trend of under-spending the approved budget, both on revenue and capital. Some carry forwards from previous years can remain uncommitted and requests received to be carried forward year on year. There appear, therefore, to be genuine but unrealistic delivery expectations by managers in some areas.

5.10 Details of the under-spends were set out in Paper H59 and the key areas are summarised in the table below. Carry forward requests are also indicated:

<b>Key areas</b>	<b>Variation £'000</b>	<b>Carry forward £'000</b>
Salaries	35	15
Training	72	45
Recruitment	45	20
CAST	160	87
S.106 legal fees	28	25
<b>Total</b>	<b>340</b>	<b>192</b>
Hadleigh Pool	45	45
Waste & Recycling	200	74
Planning Policy	100	100
Building Control	(30)	-
Concessionary Bus Fares scheme	160	120
<b>Total</b>	<b>475</b>	<b>339</b>

5.11 A risk-based view of the outturn position and carry forward requests for a number of the key areas has been undertaken, details of which are set out below:

- Training – This includes an annual corporate budget of £30,000 and recurring carry forwards in recent years. There is a comprehensive programme of delivery in progress and the responsible managers' firm commitments that the programme will be fully delivered in 2008-09. Includes £32,000 shortfall on divisional training budgets.

Risk – The programme of delivery is not fully costed and profiled. Delivering the programme fully this year could be unrealistic. It may be more realistic to spread the delivery and costing over this and next year.

- CAST – significant under-spend of about 50% of the overall budget.

Risk – The delivery of some projects are being reviewed to establish alignment with LGR and an more up to date delivery plan will be produced in due course. This may change spend and use of reserves plans.

- Hadleigh Pool – This additional funding is being built into the overall repair and maintenance plan to help with the profiling of the spend.
- Waste & recycling – The variation from the budget has been mainly due to increased recycling payments by Suffolk County Council.

Risk – A more accurate planning and income projection could have helped with mid year revisions and planning, although there are degrees of prudence to be applied where income streams are concerned.

- Planning Policy – significant underspend for the second year on LDF/other activities. The capacity to deliver the programme in the past may have been unrealistic.

Risk - The current view expressed by the responsible managers is that a two-year delivery plan is more realistic and has a higher chance of being achieved.

- Building Control – This is one of the few areas with a shortfall against budget, which has arisen as a result of lower income than expected. This needs to be monitored carefully in the current year.

Risk - With a possible downturn in future economic growth and its effects in this area, future income levels should be constantly monitored and any necessary action reported.

- Concessionary bus fares scheme – A very uncertain and difficult to predict area of the budget especially in view of introduction of the new National scheme starting this April.

Risk – A careful and consistent monitoring of the scheme together with the associated financial management.

5.12 The above assessment has highlighted a mix of different components in formation of the overall under-spends and carry forwards, which can be summarised below:

- Planning
- Profiling
- Risk management
- Informed monitoring and reporting

5.13 A more rigorous approach is being put in place in terms of 'in-year' budget management to address these issues. The position will be monitored by the Overview & Scrutiny Committees as part of the quarterly monitoring arrangements.

## **6 APPENDICES**

A – Revenue Budget Carry Forwards over £20,000

B – Capital Budget Carry Forwards

## **7 BACKGROUND PAPERS**

None

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**Appendix A****Revenue Budget Carry Forwards 2007/08****General Fund**

<b>Item</b>	<b>Service</b>	<b>£</b>	<b>Comments</b>
Professional & consultancy	Planning Policy	68,800	To support spend on LDF evidence base (research)
Specialist Legal Expenses	Development Control	46,000	Potential costs re. Known/potential cases
Purchase of Wheelie Bins	Domestic Refuse Collection/ Green Waste Collection	24,900	Commitment re. bins ordered in 07/08 as per budget but not received until 08/09
Promotion	Recycling Strategy	22,300	Promotional work during 08/09, which was not carried out in 07/08
Repairs Contracts	Hadleigh Swimming Pool	44,500	Carry-forward needed to help keep pool operational
Contracted Services	Concessionary Bus Fares	120,000	New Concessionary Scheme for 08/09 - 2007-08 contingency not spent - costs of new scheme not known. Some could be needed in 2009/10 if Govt. grant reduces
Suffolk Pathfinder	Corporate Management	21,000	Proposed for LGR
	PSA grant income	20,000	Make available to LSP's
<b>Total</b>		<b>367,500</b>	

**Divisional/Corporate**

<b>Item</b>	<b>Service</b>	<b>£</b>	<b>Comments</b>
Corporate Training	HR & OD	34,870	Required for training programme planned for 2008/09
Professional & Consultancy Fees	Legal Services	24,500	Ongoing legal costs - commitment to DBB Project Manager and other potential legal cases
Recruitment	Corporate	20,000	Potential re. LGR
S.106	Contract & Asset Management	25,000	Potential re. Management and administration needs but looking to redirect existing staff resources
CAST Project	Corporate	87,000	For Customer Access work not completed in 2007/08
<b>Total</b>		<b>191,370</b>	

**HRA**

<b><u>Area</u></b>	<b>£</b>	<b>Comments</b>
Repairs & Maintenance	62,000	The request for Cfwd is mainly for repairs and painting contract. Some smaller Cfwd items on plumbing, garden tidying, kitchen work and electrical work.
Painting Contract	100,000	Pre painting contract.
<b>Total</b>	<b>162,000</b>	

## Capital Budget Carry forwards 2007/08

<b>General Fund</b>	<b>Variations £'000</b>	<b>Cfwd £'000</b>	<b>Comments</b>
Private Sector Renewal Grant	26		
ICT ( including CAST & LAMP)	110	110	Underspend and requests for Cfwd on CAST & LAMP, Service transformation and other application software.
Natural Built & Environment	63	29	Sudbury HERS - Bldg repair/Enhancement wks
Contract & Asset Management	51	61	Key underspend areas are Kingfisher, Hadliegh pool and repairs to the corporate building.
Others	30	4	
<b>GF sub total</b>	<b>280</b>	<b>204</b>	
<b>Council Housing</b>	<b>588</b>	<b>581</b>	Work on structural repair on hold pending a potential transfer to a Housing Association. The new 'whole house' applying testing and fault detection has resulted in reduction in capital spend temporarily. Contribution to IBS related projects and Choice Based letting from the HRA have been delayed. There have also been some other under spends across other budget areas in lesser amounts..
<b>Total</b>	<b>868</b>	<b>785</b>	