

Report of Head of Accountancy

2009/10 REVENUE OUTTURN – subject to audit**1 Purpose of Report**

- 1.1 The report informs Members of the draft controllable revenue budget outturn. This is within the objective of the effective use of resources.

2 Executive Summary

- 2.1 Members should note that at this point in the accounts closedown Finance are now finalising internal recharges, such as depreciation. As such the figures reported here are those referred to as the 'controllable' costs. These recharges will be posted against service lines but then is reversed out of the Income and Expenditure Account. As a result, this should have a nil effect on the bottom line underspend. A detailed analysis of each service area is shown at Appendix A.
- 2.2 Members should also note that in line with Accounting Regulations and the Resources Committee resolution in February 2010, the setting up of earmarked reserves are required for both Planning Delivery Grant and Section 38 (Highway adoption grants). The accounting treatment previously has been to carry forward unspent monies in both these areas as income in advance. To set up earmarked reserve, accounting rules require that the income is credited to the relevant service areas (in this case Building Control and Built Environment respectively) and then transferred to reserves via the Statement of Movement on the General Fund. As a result, the outturns for Building Control and Built Environment include £632k and £137k (total = £770k) of income in respect of PDG and s.38 monies respectively. There is a small underspend (£9k) on the Ward Support monies and Election postage (£18k) it is suggested that these are also carried into earmarked reserves.
- 2.3 The revenue outturn including the income to be transferred to reserves, shows a projected underspend compared to the approved revised budget of £1,167k. After adjusting for the transfers to earmarked reserves set out in paragraph 2.2, the underspend is £397,000 (£1,167k - £770k). This is £185,000 more than forecast at Period 11 (£212k projection), due largely to unanticipated savings on the IT Service and facilities expenditure, stock adjustments, and increased subsidy income within Revenues and Benefits.

The most significant reasons for the overall underspend of £397,000 are:

- a saving of £100,000 on the IT Service due to lower actual cost from the East Northants shared partnerships than was budgeted due to the Partnerships vacancy management of its budget and lower licence costs than forecast due to higher payments being made in earlier years;
- a £100,000 net underspend on repairs and maintenance on office buildings arising from poor estimation of work required leading to a higher than needed

budget;

- £164,000 significant one off savings across service areas due to rent rebates following appeals made by the Council, some of which relates to previous years;
- delayed Local Development Framework expenditure of £100,000 although this is budgeted to be spent in the 2010/11 financial year; and
- a net saving on Revenues and benefits of £240,000 largely due to additional income from the subsidy scheme

2.4 These underspends have been reduced by a reduction in income and an Empty Rates charge on the property portfolio. There is also a reduction in planning application fees and building control fees. Detailed Service commentary is provided at Appendix B.

2.5 Whilst the Constitution allows for carry forwards of under and overspends there is actually no procedure to do this. Given the ongoing financial pressures facing the Council, the financial advice is that no revenue underspends are carried forward.

3 Appendices

Appendix A: Reconciliation by service area from original budget to outturn as at 7th May 2010.

Appendix B: Revenue monitoring and comments on service area variances

4 Proposed Action:

The Committee is invited to note the 2009/10 revenue outturn and RESOLVE that:

4.1 Earmarked reserves be set up for the under spent budgets for Ward Support (£11k) and election postage (£18k).

4.2 £500k is moved in 2010/11 from General Fund balances to Transformation Reserve.

5 Background

5.1 There have been five revenue budget monitoring reports in 2009/10 financial year. Previously December showed a projected overspend compared to the revised budget of £23,000, and the end of February position forecast an underspend of £212,000.

6 Discussion

6.1 At this point in the accounts closedown Finance are now finalising internal recharges, such as depreciation. This will mean that where the level of recharge differs from the budgeted position, service outturns could change from the levels shown in this report to those reported in the Accounts presented to members. Due to the Authority having just re-valued all of its assets this could be the case. However, as this money is reversed out of the Income and Expenditure Account this should have a nil effect on the bottom line underspend. As such the figures reported here are those referred to as the 'controllable' costs. A detailed analysis of each service area is shown at Appendix A.

- 6.2 A review of the recharges in relation to capital or revenue funding is being concluded and it is anticipated that in line with correct accounting treatment less will be funded from capital than budgeted in Property Services. This is likely to have a c£50k impact on the overall underspend. This is not reflected yet in the £397k overall underspend as further evidence is being reviewed. Therefore there may be a small variation downwards in the net General Fund Balance (£397k) reported at this stage.
- 6.3 In addition, Accounting Regulations require the setting up of earmarked reserves for both Planning Delivery Grant and Section 38 (Highway adoption grants). The accounting treatment previously has been to carry forward unspent monies in both these areas as income in advance. To set up earmarked reserve, accounting rules require that the income is credited to the relevant service areas (in this case Building Control and Built Environment respectively) and then transferred to reserves via the Statement of Movement on the General Fund. As a result, the outturns for Building Control and Built Environment include £632,346 and £137,178 of income in respect of PDG and s.38 monies respectively.
- 6.4 The revenue outturn including the income to be transferred to reserves, shows a projected underspend compared to the approved revised budget of £1,167k. After adjusting for the transfers to earmarked reserves set out in paragraph 2.2, the draft outturn as at 17th May shows a net cost of service of £11,554,000 compared to a revised budget of £12,039,600 (see Appendix B). The bottom line outturn is an underspend of £397,000. This is £185,000 greater than reported for Period 11.
- 6.5 An analysis of individual service outturn against revised budget shows a number of under and overspends. The most significant variations have arisen because:
- Chief Executive (£42k extra costs): As reported in the first few monitoring reports there are £18,000 costs for a post starting earlier than budgeted and £13,000 costs in respect of an unbudgeted post. Also there were £46,000 of additional consultant costs incurred for work on actions flowing from the Improvement and Development plan and a preliminary review of the alternative service delivery options. These have been offset by a £36,000 saving in grant and subscriptions expenditure.
 - Community Development (£51k savings): There are savings of £23,000 on an anti-social behaviour post. Although this was assigned for additional expenditure on Community Safety Initiatives, in practice this was not required. A further £28,000 was saved because although more grants were paid out to organisations, the Council received more external funding than anticipated.
 - Leisure and Arts (£2k saving): No significant variances
 - Housing Needs (£40k saving): There are £34,000 salary savings in advice and homelessness due to incidental vacancy management, and £15,000 savings on the private sector leasing scheme due to less than forecast take up due to the economic downturn. These savings have been offset by £6,000 other miscellaneous costs and a £3k increase in bad debt provisions for uncollectible rent deposits.
 - Organisational Development (£120k saving): On Human Resources there is a £60,000 salary saving due to vacancy management offset by £33,000 operational costs. Within the Member and Committee support service, there

is £24,000 saving on training due to a delay in the training programme being finalised and member take up. There has also been a £26,000 saving on supplies and services, in part arising from the ZBB review in 2009/10 that have been removed from the 2010/11 base budget. In Business Improvement, there are £24,000 salary savings due to incidental vacancy management and £13,000 other savings. There are £6,000 savings in Customer Services.

- **Development Control (£5k saving):** There is a saving of £43,000 on the Wellingborough North Appeal offset by a loss in income of £38,000 due largely to the economic downturn as previously reported.
- **Building Control (£9k extra costs):** There is a saving of £48,000 on salaries. This has arisen because a Building Control manager has not been appointed due to the delay in the merger with Kettering. This saving has been offset by a decline in income of £57,000 due to the economic downturn.
- **Planning and Housing Strategy (£171k saving):** There is a saving of £100,000 caused by the delay in the public examination of the Local Development Framework. There are also savings of £34,000 on salaries and £47,000 supplies and services. This is offset by a loss of income of £10,000.
- **Growth and Development (£121k saving):** There is a saving from backdated rate rebates of £77,000 on the car parks. There are also savings of £28,000 in consultant costs for Town Centre development and savings of £34,000 on supplies and services. This is offset by a drop in Section 38 income (County's highways funding) of £18,000.
- **Performance and Development (£16k saving):** There is a saving of £16,000 in the contribution to the Joint Planning Unit.
- **Waste and Depot Management (£115k saving):** There is a saving of £38,000 due to a technical accounting adjustment to correct the treatment of stock at year end that results in unused stock being credited back to the accounts to represent the stock held at the depot. There is a £29,000 saving in the cost of tipping charges, previously reported to Members, because the rate per tonne actually agreed is £3 per tonne less than the figure of £25 per tonne assumed in the base budget at the start of the year. There is a net £13,000 saving on salaries due to largely to reduced agency costs and vacant posts management. There is also £14,000 assorted savings, such as rates refund and lower utility bills as well as £5,000 additional income from grants. Also £15,000 extra income has been received from the County Council in recycling credits arising from BCW's delivering more recycling than its target..
- **Cleansing and Green Environment saving (£39k saving):** There is a one off saving of £32,000 on premises costs mainly due to rate rebates. There has also been £7,000 of miscellaneous savings. Also £18,000 additional income has been received mostly for work on tree maintenance. Against this, there are £18,000 additional costs on salaries.
- **Amenity (£7k extra costs):** There is a £13,000 overspend on salaries offset by savings of £6,000.
- **Environmental Health (£14k extra costs):** There are unbudgeted redundancy costs of £60,000 offset by various savings, including £20,000 on salaries,

£10,000 on the Licensing Unit, £11,000 on supplies and services and £5,000 additional income.

- Performance (£6k saving): No significant variances
- Revenues and Benefits (£176k saving): There is additional income of £268,000 from the subsidy scheme and £77,000 savings in administration costs. This is offset by £92,000 additional costs from the Concessionary Fare Scheme, a £53k increase in the bad debts provision, £3,000 other costs and £21,000 loss of income on the Business Rates Consortium.
- Policy and Partnership (£4k saving): No significant variations
- Property (£487k extra costs): There is a loss of income of £400,000 and additional empty rates cost of £60,000 as reported to Members throughout the year due principally to the economic downturn. There is also an extra in the bad debts provision required of £27k due to uncollectable rent increasing.
- IT service and Project (£100k saving): There is a saving of £34,000 due to the service managing its costs down through renegotiation of software and support contracts as well as joint purchases thus resulting in lower actual costs from the East Northants shared partnership. In addition there was £66,000 saving on software costs that arose as it was identified that in 2008/09 more licence fees were paid than necessary and these have been offset therefore against the 2009/10 liability. It was also identified that some budgets for software costs existed in other smaller budget areas and the budget was those overstated. This has been corrected in the 2010/11 base budget.
- Facilities (£125k saving): There is a £100,000 underspend on repair and maintenance on the Council's property portfolio. This has arisen due to the ongoing lack of information to underpin the annual repair and maintenance schedule resulting in actual costs being less than required rather than any slippage in work. Work is now ongoing to identify the whole life maintenance costs of specific properties to correct this in future years. In addition, there are one off savings of £64,000 on NNDR rate rebates. These savings are offset by additional costs of £18,000 agency costs, £7,000 extra salaries and £14,000 other costs mainly on equipment purchase.
- Finance (£32k extra costs): There are £51,000 additional agency costs plus £5k for additional bad debts provision, less £24,000 savings on salaries due to vacancy management and supplies and services.
- Other (£102k extra costs): This relates to accounting changes, such as contingency, pension fund and interest variation adjustments.

6.6 The financial information in Appendix B shows the budget for each service area separated into employee related costs and other expenditure and income.

6.7 Under Section 4.5.04 of the Council's Constitution carry forwards of both under and overspends are permitted. However, there is no procedure in place for carrying this out. It is therefore recommended that as no provision has been made for this in the 2010/11 budget this rule is not applied. In relation to Ward Support monies that have been raised by members, it is suggested that the £11k of under spent allocations is treated similarly to PDG and s.38 monies, and

transferred to an earmarked reserve for the specific purpose of Smart Water and Winter Grit bins.

- 6.8 The Outturn shows net expenditure of £11,554,000 against a Revised Budget of £12,039,600. This expenditure was funded from ongoing income - Revenue Support Grant, Council Tax and Non Domestic Rates – and also by using up one-off reserves: by using one-off earmarked reserves of £1,189,000 plus £2,093,000 expected draw on the General Fund Reserve (total one off budgeted contribution from reserves of £3,282,000). However, the effect of a net £397,000 underspend is to reduce the total use of one-off reserves to support this expenditure to £2,796,000. It is recommended that this reduction is shown against the General Fund Reserve, reducing the draw on that reserve down to £1,607,000.
- 6.9 It is also proposed to also transfer £18,000 from the General Fund Balance to an earmarked reserve for election postages. This is for the purpose of evening out expenditure on election postages between years when there are a lot of elections and years when these are fewer in number. This means that the total expected draw on reserves will still be £2,885,000. However, the expected draw on the General Fund balance will be £1,714,000 and the net use of earmarked reserves will be £1,171,000.
- 6.10 At 1st April the General Fund Reserve was £7,661,171. At 31st March, the General Fund Reserve after taking account of the £397,000 underspend, is therefore now expected to be £6,036,171, subject to any variations on recharges to capital. At present this will leave General Fund reserve in excess of the minimum recommended balance (10% of net expenditure). As the Section 151 Officer proposes to transfer £500k to the Transformation earmarked reserve with the development of a clear spending plan.

7 Legal Powers

- 7.1 Local Government Act 1992

8 Financial and Value For Money Implications

- 8.1 Following the identification of a potential significant overspend in the monitoring report for September, spending has reduced. Further there have been windfall savings such as from rent rebates and a reduction in the anticipated income shortfall. The outturn is now £397,000 under spent compared to the revised budget. This is 4% of the revised budget and within the suggested level of tolerance expected for good authorities under the Audit Commission's guidance.

9 Risk Analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Error in reported position	Revised outturn and balance	Low due to level of quality assurance	Robust financial arrangements.
Changes in Service outturn positions	Revised outturn	Possible due to need still to post internal recharges but nil impact on bottom line	Robust financial arrangements.

10 Implications for Resources

11.1 No specific implications.

11 Implications for Stronger and Safer Communities

12.1 No specific implications.

12 Implications for Equalities

13.1 No specific implications

13 Author and Contact Officer

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15 Background Papers

Financial Services working papers.

Appendix B: Revenue Monitoring up to the Outturn

Service Area	Employee Related Costs				Other Expenditure				Income				YE outturn	Full year budget	Original Full Year Budget	Variance	
	Committed to date	Year to date budget	Variance	Variance	Committed to date	Year to date budget	Variance	Variance	Committed to date	Year to date budget	Variance	Variance					
	£	£	£	%	£	£	£	%	£	£	£	%					£
CHIEF EXECUTIVE																	
CHIEF EXECUTIVE	684	636	(48)	(-8%)	795	801	7	1%	(23)	(23)	0	2%	1,456	1,414	1,364	(42)	
TOTAL CHIEF EXECUTIVE	684	636	(48)	(-8%)	795	801	7	1%	(23)	(23)	0	2%	1,456	1,414	1,364	(42)	
COMMUNITY																	
COMMUNITY DEVELOPMENT	548	558	10	2%	1,343	1,236	(106)	(-9%)	(478)	(330)	147	45%	1,413	1,464	1,454	51	
LEISURE AND ARTS	113	82	(31)	(-38%)	2,110	2,014	(96)	(-5%)	(177)	(48)	129	271%	2,046	2,048	2,061	2	
HOUSING NEEDS	256	280	23	8%	391	617	225	37%	(270)	(479)	(209)	(-44%)	378	418	446	40	
HUMAN RESOURCES	220	272	52	19%	66	41	(25)	(-61%)	(380)	(380)	(0)	(-%)	(94)	(67)	(0)	27	
CUSTOMER SERVICES	474	475	1	%	103	108	4	4%	(601)	(601)	0	0%	(24)	(18)	0	6	
MEMBER AND COMMUNITY	436	389	(47)	(-12%)	470	476	5	1%	(238)	(145)	93	64%	669	720	724	51	
BUSINESS IMPROVEMENT	216	241	24	10%	78	89	11	13%	(269)	(269)	0	0%	25	61	54	36	
TOTAL COMMUNITY	2,264	2,297	32	1%	4,562	4,580	19	%	(2,413)	(2,252)	161	7%	4,413	4,625	4,739	212	
DEVELOPMENT																	
DEVELOPMENT COMMUNITY	423	415	(8)	(-2%)	586	630	45	7%	(203)	(235)	(32)	(-14%)	805	810	512	5	
BUILDING CONTROL	148	186	38	21%	144	154	10	6%	(139)	(197)	(58)	(-29%)	153	144	144	(9)	
PLANNING & HOUSING	524	558	34	6%	2,067	2,212	144	7%	(277)	(284)	(7)	(-3%)	2,314	2,485	2,493	171	
GROWTH AND DEVELOPMENT	450	459	9	2%	1,119	1,246	127	10%	(288)	(303)	(15)	(-5%)	1,282	1,403	1,413	121	
PERFORMANCE & DEVELOPMENT	268	52	(216)	(-413%)	241	220	(21)	(-10%)	(259)	(6)	253	4077%	250	266	276	16	
WASTE AND DEPOT	791	804	13	2%	2,710	2,797	87	3%	(1,472)	(1,457)	15	1%	2,030	2,145	2,154	115	
CLEANSING & GREEN	1,328	1,310	(18)	(-1%)	3,280	3,321	41	1%	(1,433)	(1,417)	16	1%	3,175	3,214	3,214	39	
AMENITY MANAGEMENT	508	495	(13)	(-3%)	72	79	7	9%	(587)	(587)	0	%	(7)	(14)	0	(7)	
ENVIRONMENTAL HEALTH	694	648	(45)	(-7%)	1,205	1,218	13	1%	(844)	(827)	18	2%	1,054	1,040	1,037	(14)	
TOTAL DEVELOPMENT	5,134	4,927	(207)	(-4%)	11,425	11,878	452	4%	(5,503)	(5,313)	190	4%	11,056	11,493	11,243	437	
RESOURCES																	
PERFORMANCE	430	437	6	1%	136	133	(3)	(-2%)	(598)	(595)	3	%	(31)	(25)	0	6	
REVENUES AND BENEFITS	1,190	1,185	(4)	(-%)	25,719	23,314	(2,405)	(-10%)	(25,049)	(22,463)	2,586	12%	1,860	2,036	2,150	176	
POLICY & PARTNERSHIPS	84	79	(5)	(-7%)	314	316	1	%	(248)	(240)	8	3%	151	155	155	4	
PROPERTY	172	247	74	30%	2,224	2,065	(159)	(-8%)	(2,464)	(2,867)	(403)	(-14%)	(68)	(555)	(587)	(487)	
IT SERVICE & PROJECTS	0	0	(0)	0%	533	623	90	15%	(633)	(623)	10	2%	(100)	0	0	100	
FACILITIES	226	203	(23)	(-11%)	904	1,062	158	15%	(1,269)	(1,279)	(10)	(-1%)	(139)	(14)	0	125	
FINANCE	538	508	(31)	(-6%)	322	320	(1)	(-%)	(831)	(831)	0	%	29	(3)	0	(32)	
HRA	0	0	0	0%	(3)	0	3	0%	(3)	0	3	0%	(6)	0	0	6	
OTHER INCOME AND EXPENSES	162	84	(78)	(-93%)	(4,197)	(3,921)	276	(-7%)	(2,942)	(2,969)	(26)	(-1%)	(6,978)	(6,806)	(6,680)	173	
HOLDING ACCOUNT	281	301	20	7%	34	(198)	(233)	117%	(316)	(384)	(68)	(-18%)	0	(281)	(277)	(281)	
TOTAL RESOURCES	3,083	3,043	(40)	(-1%)	25,986	23,714	(2,272)	(-10%)	(34,352)	(32,249)	2,102	7%	(5,282)	(5,492)	(5,239)	(210)	
TOTAL SERVICES	11,165	10,903	(263)	(-2%)	42,768	40,973	(1,794)	(-4%)	(42,290)	(39,836)	2,454	6%	11,643	12,040	12,108	397	

Appendix B: Outturn as at 7th May 2010 to position reported at 28th February

Service Area	Feb Projected Outturn Variance £	March 31st Actual Outturn Variance £	Change on variance £	Reason for change on variance
	(Overspend)/underspend	(Overspend)/underspend	(Overspend)/underspend	
CHIEF EXECUTIVE				
CHIEF EXECUTIVE	-41,992	-41,080	-912	
TOTAL CHIEF EXECUTIVE	-41,992	-41,080	-912	
COMMUNITY				
COMMUNITY DEVELOPMENT	27,384	50,848	-23,464	Additional saving on grants (£23k)
LEISURE AND ARTS	-54,577	2,056	-56,633	Additional savings on grants (£56k)
HOUSING NEEDS	-11,348	39,891	-51,239	There are £38k savings on Housing Advice and Homelessness in employee costs due to maternity leave together with savings in other operating costs. There is also a £15k saving on private sector leasing. This is offset by a £3k bad debt charge.
HUMAN RESOURCES	38,532	26,519	12,013	Additional supplies and services (£12k)
CUSTOMER SERVICES	0	5,504	-5,504	
MEMBER AND COMMITTEE SUPPORT	75,619	86,701	-11,082	Additional saving on Member training (£11k)
TOTAL COMMUNITY	75,610	211,518	-135,908	
DEVELOPMENT				
DEVELOPMENT CONTROL	6,652	4,873	1,779	
BUILDING CONTROL	-19,337	-9,292	-10,045	Reduction in the anticipated income shortfall (£10k)
PLANNING & HOUSING STRATEGY	132,949	171,299	-38,350	Additional savings on supplies and services (£38k)
GROWTH AND DEVELOPMENT	76,654	120,948	-44,294	Additional savings on rent rebates (£17k) and (£28k) saving on Town Centre Development
PERFORMANCE & DEVELOPMENT	814	15,635	-14,821	Additional saving (£16k) on the contribution to the Joint Planning Unit
WASTE AND DEPOT MANAGEMENT	65,966	114,847	-48,881	Saving generated because expenditure on wheelie bins treated as part of capital stock and therefore no longer chargeable to the revenue account
CLEANSING & GREEN ENVIRONMENT	24,650	39,258	-14,608	Expenditure on some items treated as capital stock and therefore no longer chargeable to the revenue account
AMENITY MANAGEMENT	-7,278	-6,584	-694	
ENVIRONMENTAL HEALTH	-30,011	-14,687	-15,324	Additional licensing income
TOTAL DEVELOPMENT	251,059	436,296	-185,237	
RESOURCES				
PERFORMANCE	3,367	5,894	-2,527	
REVENUES AND BENEFITS	74,801	176,504	-101,703	55k additional savings on Housing benefits, 58k savings in staff, £19k less software costs than anticipated and £22k saving on Council Tax and Business Rates administration. These additional costs are offset by a £53k additional bad debt charge
POLICY & PARTNERSHIPS	1,535	4,022	-2,487	
PROPERTY	-342,976	-487,410	144,434	Additional loss of income on the property portfolio and £28k bad debt charge
IT SERVICE & PROJECT DEVELOPMENT	10,256	100,457	-90,201	Additional one-off savings on software costs (£90k)
FACILITIES	126,704	125,064	1,640	
FINANCE	-37,552	-31,826	-5,726	5k bad debt charge
OTHER INCOME AND EXPENDITURE	91,000	-108,749	199,749	Saving on contingency
HRA		6,492	-6,492	Miscellaneous income
TOTAL RESOURCES	-72,865	-209,551	136,686	
TOTAL SERVICES	211,812	397,183	-185,371	

