

1. Analysis of 2006/07 outturn

The outturn compared to the **original 2006/07 budget** was an overspend of £770,000.

This can be analysed as follows:

Major variations

Operations Committee

	£000	Notes
Insurances premium increases	65	1
Financial Services overspend	193	2
Revenue Services underspend	(162)	
Organisational Re-engineering savings not achieved	83	
External Legal Fee savings	(21)	
Publicity overspend re airport and other issues	144	3
Offices maintenance charged to revenue per Final Accounts Audit 2005/06	54	4
Underspend on Executive Programme Office budget	(46)	
Joint working savings not achieved	5	
Energy Efficiency savings	35	5

Community Committee

Staffing overspend in Environmental Health	63	
Emergency Planning overspend re Lebanon crisis	85	6
Organisational Re-engineering savings not achieved	12	
Additional Border Inspection Income	(40)	
Z bikes saving from external funding being obtained	(20)	

Environment

Concessionary Fares shortfall in original budget	174	7
Organisational Re-engineering savings not achieved	10	
Unspent staffing contingency for single status	(52)	
Waste budget underspend and excess income	(62)	
Tidy Team not started	(39)	
Additional Grounds maintenance income	(33)	
Septic tanks- provision for Anglian Water charges written-off	(56)	
Development Control net overspend	20	
Licensing net underspend	(19)	

Other variations across all committees (net)	7	
Grand Total overspend at Committee level	400	

Below the Line' Items		
'Net addition to specific reserves	45	
Revenue Support Grant Adjustment	(6)	
Interest Receivable reduction	231	8
Increased pension fund deficit (net of reserve use)	78	
Shortfall in DSO income	12	
Unused Capacity- increase compared to budget	4	
Business Rates Retention Scheme shortfall	41	
Deletion of revenue contribution to capital	<u>(35)</u>	
Net overspend	770	5

Which reconciles as follows via movements on the Financial Management Reserve:

	£000
Reserve per 2005/06 accounts	565
Transferred in	693
Balances transferred in	176
Less planned use	(664)
Total unplanned use of Financial Management Reserve	770

Notes

1. This was included in the projected overspend identified at Council in February 2007. It was then estimated at £94,000
2. This was included in the projected overspend identified at Council in February 2007. It was then estimated at £186,000
3. This includes publicity of £123,000 in relation to the airport which is funded from the District Character Reserve
4. This was included in the projected overspend identified at Council in February 2007. It was then estimated at £70,000
5. The energy efficiency savings may have been achieved against specific budgets in relation to the building but which don't show up under this heading
6. Lebanon crisis funded from reserves
7. This was notified to the Environment Committee in January 2007
8. This was included in the projected overspend identified at Council in February 2007. It was then estimated at £150,000

2. Commentary

In February 2007 the report to Full Council on the budget indicated that the General Fund was likely to overspend by approximately £700,000.

It is now clear that this position was understated. The late addition of assumed LABGI grant inadvertently hid the fact that approximately £340,000 of additional budget increases had also got into the base budget. The frantic efforts made at the time of budget completion, including the changes required to re-work to a 2% council tax increase meant that this seemingly obvious fact was not reported properly in the analysis of variations. Normal practice would be a comprehensive analysis of the revised budget variations but this did not happen during January and February due to the major problems with completing the budget. It is now clear that the revised budget had errors in it including contingency budgets that were unnecessary and eventually underspent. The revised budget did however correct an error in respect of concessionary fares grant from the government not dealt with correctly in the original budget. This error, with a net increased budget requirement of £174,000 was reported to the Environment Committee but not included in the summary analysis of the increase in the revised total budget.

However, despite these issues the figures themselves, including apparent reserve availability to deal with the overspend made the revised budget viable to fund.

The most important issue that was not known at all at that time was however the fact that expenditure on Planning Delivery Grant funded items of £324,000 were excluded in error from the revised budget. Of this sum, only £290,000 involved probable 'real' spending, with the remaining £34,000 added to the earmarked reserve for use to help pay for a new planning IT system during 2007/08. Both PDG spending and grant are usually left out of the original budget each year until such time as grant amount is known and spending can therefore be committed and shown in the revised budget. The fact that the likely spend was left out of the revised budget was also (inadvertently) hidden in reserve terms by the failure to deal correctly with the Planning Delivery Grant where the entries made set the grant aside to deal with the corporate overspend rather than PDG activities. The PDG error only became apparent on 21st June and was one of the reasons that the final accounts process was suspended pending an examination of the issue.

The next key factor after the February Council meeting was the receipt of a lower than expected sum in relation to the Business Rates Retention Scheme. The shortfall of £383,000, which netted down to £271,000 after a quick re-budgeting/outturn projection in April 2007 was dealt with by transferring other reserves into the Financial Management Reserve so that the latter could cope with the overall overspend.

What has actually happened during the final accounts is that the spending on PDG funded activities has become apparent whereas the reserve which should be there to deal with them has been earmarked for the projected and actual corporate overspend. This means that the Financial Management Reserve would have gone 'overdrawn' by £176,000 which is illegal. On this basis, £200,000 was drawn down from the General Fund Balance (leaving it at £1m) to deal with the £176,000 shortfall and to give the Financial Management Reserve a small balance of £24,000.