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|--------------------------------|--|---------------------|
| REPORT TO THE EXECUTIVE | | Report No. 7 |
| Date of Meeting | 17 January 2008 | |
| Title of Report | Revenue Budget Monitor 2007- 08 - Month 8 - November | |
| Portfolio | Leader's Responsibilities | |
| Link to Corporate Priorities | All | |
| Key Decision | Yes | |
| Executive Workplan Ref | A20 | |
| Public Report | Yes | |

Summary of Report

The report sets out the Revenue budget monitor for Month 8 of the 2007-08 financial year, showing the financial position at the end of November 2007 and setting out the anticipated variations in income and expenditure that could affect the Council by the end of the financial year.

Officer Recommendations

That the Executive:

1. Note the report forecasting an under spend of £289.5k.

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

| Financial Implications | Legal Implications | Community & Environmental Implications | Human Resources Implications | Equality & Diversity Implications |
|------------------------|--------------------|--|------------------------------|-----------------------------------|
| Yes | No | No | No | No |

| | | |
|------------------------|---------------------------------|---|
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|------------------------|---------------------------------|---|

1. Introduction

- 1.1 Revenue budget monitors are produced to report on May (M2) to February (M11) of each financial year. They track progress against the agreed budget decisions, forecast any anticipated significant variances to the budget, and enable corrective action to be taken.
- 1.2 The main issues to bring out at M8 are discussed in 3.1.

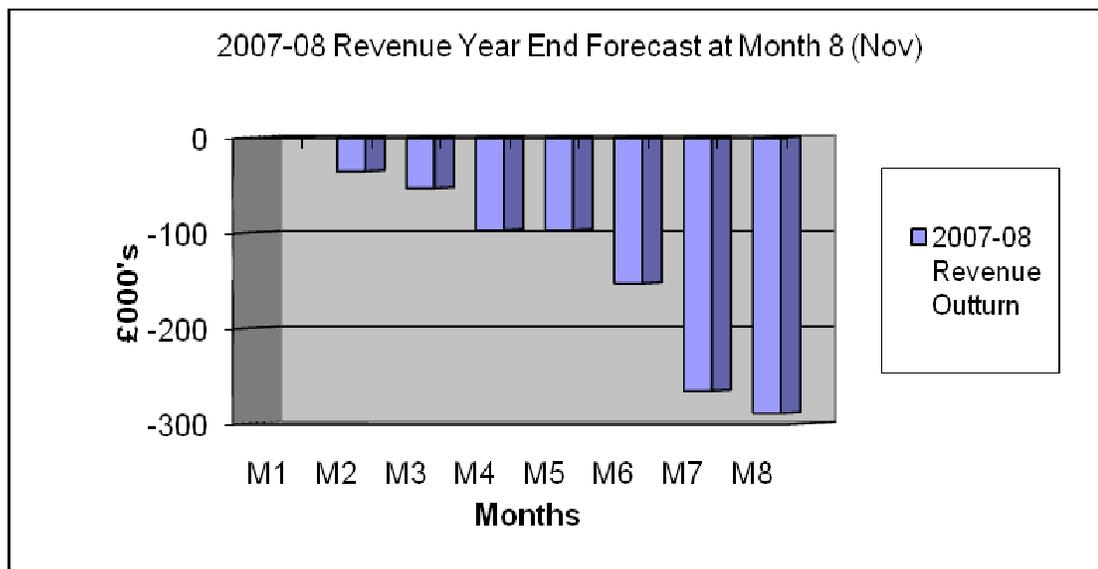
2 Options & Options Appraisal

- 2.1 Option 1: To agree the recommendations
- 2.2 Option 2: To not approve the recommendations. If this were the case, the Executive would need to offer alternative recommendations.

3. Background Information

- 3.1 **Overall position** - The projected Revenue forecast for the year, at Month 8, shows an under spend of £289.5k, an increase of £23.5k from the Month 7 position of £266k under spend. Annex 1 gives a full analysis against the revised budget.

Exhibit 1 - Graph showing 2007-08 forecast surplus/deficit, month by month, over the year



The following tables show variances by subjective analysis and by business area, and also track the risk performance for each:

Exhibit 2 – Table showing 2007-08 forecast over/under spend by “subjective & gross net” £000’s

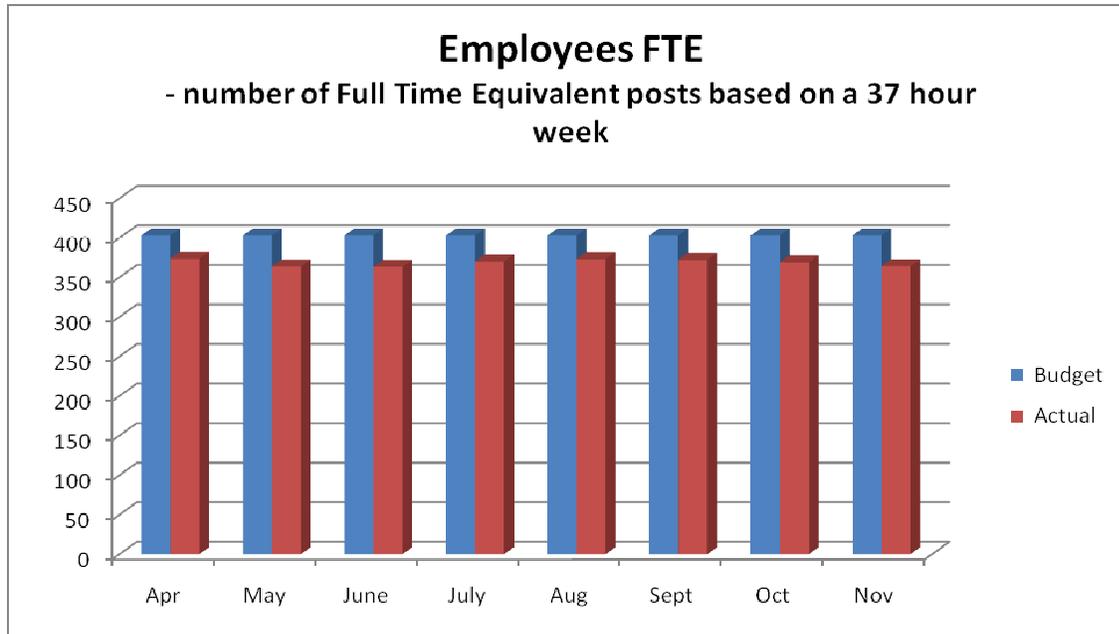
| Type of cost/income | Budget | Forecast for the year | Forecast Variance |
|---------------------------------|-----------------|-----------------------|-------------------|
| Pay | 14,107.3 | 14,035.0 | -72.3 |
| Premises | 1,283.8 | 1,276.3 | -7.6 |
| Transport | 1,405.3 | 1,700.2 | 294.9 |
| Supplies | 5,542.8 | 5,765.0 | 222.2 |
| Third Party | 2,518.7 | 2,541.9 | 23.2 |
| Transfer Payments | 21,150.0 | 21,122.7 | -27.3 |
| Controllable Expenditure | 46,008.0 | 46,441.0 | 433.2 |
| Capital Financing | 1,386.6 | 1,386.6 | 0.0 |
| Recharges | 10,354.2 | 10,354.2 | 0.0 |
| Gross Expenditure | 57,748.9 | 58,181.8 | 433.2 |
| Income | -28,734.4 | -29,181.0 | -446.6 |
| Recharges | -11,001.7 | -11,001.7 | 0.0 |
| Net Cost of Services | 18,012.7 | 17,999.0 | -13.5 |
| Additional Financing Income | | -276.0 | -276.0 |
| | | | |
| Total Underspend | 18,012.7 | 17,723.0 | -289.5 |

Exhibit 3 – Table showing 2007-08 forecast over/under spend by Business Area £000’s

| Business Area | Net Budget | Forecast for the year | Forecast Variance |
|------------------------------------|-----------------|-----------------------|-------------------|
| Chief Executive | 1,071.6 | 1,071.6 | 0.0 |
| Community Engagement | 3,355.1 | 3,281.4 | -73.7 |
| Customer Relations | 1,753.6 | 1,739.9 | -13.8 |
| Development Services | 2,758.2 | 2,652.9 | -105.3 |
| Environmental Services | 6,296.5 | 6,359.7 | 63.2 |
| Finance & Resources | - | 64.0 | 64.0 |
| Governance | 1,749.8 | 1,759.8 | 10.0 |
| HR | 63.3 | 88.3 | 25.0 |
| ICT | - | -120.0 | -120.0 |
| Policy & Performance | 674.1 | 856.1 | 182.0 |
| PR | 290.5 | 245.5 | -45.0 |
| Net Cost of Services | 18,012.7 | 17,999.2 | -13.5 |
| <i>Additional Financing Income</i> | | -276.0 | -276.0 |
| Total Underspend | 18,012.7 | 17,723.2 | -289.5 |

The establishment started the year with 419.8 Full Time Equivalents (FTE's). There are 403 FTE's in the budget. In November there were 364 FTE's employed.

Exhibit 4 - Graph showing budgeted and actual Full Time Equivalent employees



3.2 **Change in month.** Analysis of monthly movement by major area and Business Area from the previous month. The main detail is now shown in exhibit 5.

Exhibit 5 – Table showing major monthly movements in the year end forecast £000's

| | Note | | |
|------------------------------------|------|--|------|
| Month 7 reported year end forecast | | | -266 |
| Expenditure; additional costs | | | |
| Agency Staff | +11 | | |
| Staff Training | +6 | | |
| Consultancy | +32 | | |
| Tools/equipment/other | +5 | | |
| Savings; | | | |
| Leisure Strategy (WCC) | -27 | | |
| Leisure Grant | -7 | | |
| Refuse Bins/Sacks | -9 | | |
| Waste Collection promotional costs | -11 | | |
| Vehicle running costs | -9 | | |
| | | | -9 |
| Income; | | | |
| Environmental Licence income | -10 | | |
| Green Waste income | -4 | | |
| | | | -14 |
| Months change | | | -23 |
| Month 8 reported year end forecast | | | -289 |

Exhibit 6 – Table showing monthly movement in the year end forecast by Business Area, £000's

| Business Area | October Forecast | November Forecast | Movement |
|-----------------------------|-------------------------|--------------------------|-----------------|
| Chief Executive | 1,071.6 | 1071.6 | 0 |
| Community Engagement | 3,292.7 | 3281.4 | -11.3 |
| Customer Relations | 1,739.8 | 1739.9 | 0.0 |
| Development Services | 2,668.1 | 2652.9 | -15.2 |
| Environmental Services | 6,339.3 | 6359.7 | 20.4 |
| Finance & Resources | 64.0 | 64.0 | 0.0 |
| Governance | 1,759.8 | 1759.8 | 0.0 |
| HR | 88.3 | 88.3 | 0.0 |
| ICT | -120.0 | -120.0 | 0.0 |
| Policy & Performance | 858.1 | 856.1 | -2.0 |
| PR | 260.5 | 245.5 | -15.0 |
| Net Cost of Services | 18,022.2 | 17,999.2 | -23.1 |
| Additional Financing Income | -276.0 | -276.0 | 0.0 |
| Total Underspend | 17,746.2 | 17,723.2 | -23.1 |

3.3 Performance on increase in Council Tax properties compared to budget assumption

The position reported as at the end of November 2007, there were 51,188 Band D equivalents, compared to a 2007/08 budget assumption of 50,255

3.4 Write-offs (Council Tax, HB recovery, Other Income and NNDR). No write-offs have taken place this year, although a list totalling £154,617 for Council Tax is near to agreement. The Revenues report to the October 12th Executive noted that some £1.789m should be written off in 2007-08; Revenues are considering how this will be done. It was also agreed, in the same item agenda, to use funding of up to £100K from reserves for a Spend to Save programme on revenues to transform performance. This approach is not now going to be progressed, however Exec will receive a report at its Nov Meeting highlighting how improvements will be achieved.

Exhibit 7 – Table showing Write-Offs - None so far

4 Special circumstances (and Quarterly items)

4.1 The following are the special events, both recent and forthcoming, that have, or will affect the outturn:

- The Government announced on October 25th that Wiltshire was to become a Unitary authority. There will be a re-appraisal of plans, and change of focus. There is more detail set out at Annex 9, which also identifies four areas of spend that need not proceed. A recommendation addresses this.
- The restructure was budgeted to produce a saving of £250k in 2007-08. The 3rd tier recruitment has taken place, and with consequent changes, the predicted savings will achieve the budget in 2007-08, as follows

Exhibit 8: Re-organisation savings 2007-08 (£)

| | |
|--|-----------------------|
| Salary saving (gross) | -490,533 |
| Carry forward from 2006-07 (Exec 19/4) | -128,500 |
| Agreed 2007-08 virement (Exec 30/8) | -50,000 |
| Total savings | <u>-669,033</u> |
| Costs (gross) to date | <u>405,954</u> |
| Saving (total) - predicted outturn | -263,079 |
| Less saving already budgeted for: | <u>250,000</u> |
| Saving - predicted outturn in excess of budget | <u><u>-13,079</u></u> |

- The second tranche of the Planning Delivery Grant was announced (October 24), taking the total to £231k, which is £81k over the budget of £150k. £15k is being used to reduce the backlog in council tax recovery. £66k is available as a reserve.
- There is a new large risk arising in respect of Concessionary Fares as a result of appeals by the operators. They were partially successful in an appeal for 2006-07 in two respects. Firstly, actual figures are to be used, instead of estimates, to finalise the 2006-07 payment. Secondly, they were awarded just under £20k, which might be reduced (or increased) in whole or part when the final calculation is completed.
For 2007-08, the operators have lodged a further appeal, which would fundamentally change the basis of payment; if it was agreed the full year cost would be £330k. There is every likelihood that the case will not be settled until the next financial year 2008-09. It could also be settled in the Council's favour. In the meanwhile, the Executive should set aside resources to cover the 2007-08 risk, in part, until there is better information. Should the contingent risk not arise, then funds could be released for other purposes. To this effect a contingent reserve of £200K has been created and is reflected in this forecast.
- The work has commenced on the 2008-09 budget, with analysis of the cost and performance of services to help set the strategic direction of the budget work. The next meeting of the Budget & Strategic Planning Working Group will be on January 16th 2008.

4.2 Progress against Key Lines of Enquiry on Use of Resources – The initial report by District Audit suggests that the assessment for NWDC will remain similar to that for the prior year. Concerns continue to be expressed over the stability of the finance systems and resourcing.

- 4.3 Annex 4 includes an update on the improvements to the Revenue Budget Monitoring report as suggested by the Interim S151 Officer. Eleven of the 20 items have been delivered. One further item has been partially delivered, but one has slipped. It is our intention to review the Monthly Monitoring process and report and propose to CMB and the Executive a more succinct report, utilising graphics and highlighting key areas.

5. Financial Implications

- 5.1 The effect on the Council's Reserves, if the under spend at Month 8 remains, is as set out below.

Exhibit 8 - Table Analysis of movement in general reserves during the year £000's

| | | |
|--|--|-------|
| General Fund Reserves at March 2007 | | 4,240 |
| 2007-08 Budgeted reduction | | 0 |
| Subtotal | | 4,240 |
| October 12 Executive – Spend to Save, Revenues | | -100 |
| Subtotal | | 4,140 |
| This report – predicted outturn – under spend | | 289 |
| Predicted General Fund Reserves at March 2008 | | 4,429 |

- Minimum level of Reserves of £3.5m, agreed by the Council for 2007/8 on February 22nd 2007
 - The Executive of March 2007 agreed that reserves in “excess” of the minimal level for 2007/8 should only be deployed on Spend to Save schemes. One scheme, for up to £100k, has been agreed.
- 5.2 The 2006-07 provisional outturn of the Collection Fund has produced a surplus of £1.517m, which would generate funding for 2008-09 of £162k for the Council. It is not in the forecast, for it is too early to count it in, for two reasons. Firstly, the figure is provisional and subject to audit. Secondly, the figure could be reduced if collection performance in 2007-08 is less than expected, noting the mid year projection for Band D equivalents
- 5.3 Financial health.
- Virements. Virements have been used to re-align budgets so as to reflect the new structure.
 - Reconciliation's. Annex 8 sets out the reconciliations which are required to control the Council's finances and financial records. The reconciliations are arranged into a hierarchy of three categories, as follows:-

1. Daily - cash entering or leaving the Council

2. Monthly - "Control Accounts" mainly debts due to or from the Council (Council Tax, NNDR, Benefits, Sundry Accounts Receivable).
 3. Regular or point of input – Mechanics shop recharges, Stores, and accountancy journals.
- 5.4 Links to Capital – there is a sister monitor which records the position on capital. The Unitary decision shortens the Council's Capital Programme and the funding that is required. The plan was to borrow £15.37m to fund the three years 2007-10. Of this, £4m had been borrowed; the necessity to borrow the balance of £11.37m will be reviewed, with the high likelihood that it will not now take place and is the subject of another report on this agenda.

6 Risk Analysis

- 6.1 When the budget was set by Council in February 2007, a revenue risk assessment was prepared and its impact was reflected in setting the level of Balances. A review by the S151 Officer for that report highlighted eight risks that are set out in Annex 3. At this stage of the budgetary cycle, none of the risks is critical enough for them to be in the outturn, although, consideration has been given in the Recommendations to the risk with the maximum score, the Unitary decision.
- 6.2 Exhibits 2 and 3 also monitor risk, by highlighting forecasted variances by subjective analysis and by business area.
- 6.3 Risks will be assessed as part of the budget setting as many are no longer relevant, either they are no longer risks or a provision has been made. This will result in recasting the level of General Reserves needed to an appropriate level.

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| <p>Annexes:</p> | <ol style="list-style-type: none"> 1. Summary Monitoring Table 2. Main Budget Variances 3. Risk Assessment for 2007-08 4. Budget Monitor Improvements 5. Headcount 6. Reconciliations 7. The Unitary response |
| <p>Background Documents Used in the Preparation of this Report:</p> | <ul style="list-style-type: none"> • Budget monitoring reports for Teams across the Council • Minutes of relevant Member meetings |

Previous Decisions Connected with this Report

| Report | Committee & Date | Minute Reference |
|--|-----------------------------|-------------------------|
| Budget Proposals 2007-08 | Council – February 22, 2007 | |
| Revenue Monitor – Framework for Improvements | Executive - June 7, 2007 | |
| Revenue Monitor 2007-08 – Month 2 May | Executive July 12, 2007 | |
| Revenue Monitor 2007-08 – Month 3 June | Executive August 30, 2007 | |
| Revenue Monitor 2007-08 – Month 4 July | Executive October 04, 2007 | |
| Revenue Monitor 2007-08 – Month 6 Sept | Executive November 01, 2007 | |
| Revenue Monitor 2007-08 – Month 7 Oct | Executive December 06, 2007 | |