

Date of Meeting	15th March 2007
Title of Report	Revenue Budget Monitor – Month 9 (December)
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 9 of the 2006/07 financial year, showing the financial position at the end of December 2006 and setting out the anticipated variations in income and expenditure that could impact on the Council by the end of the financial year.

Officer Recommendations

- 1 That the Executive note the report forecasting an over spend of £17,800, an improvement of £14,700 on the Month 8 reported position;**
- 2 That the Executive continue with the spend freeze (Option 1);**
- 3 That the Executive note the expected outturn position of NWLL, and the likely use of a further £680k of reserves.**
- 4 That the Executive agree the 20 ways of improving the revenue monitor, Annex 5, and note a report to the March Executive will seek agreement to Project budgets (carry forwards).**

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	YES	YES	YES	NONE

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1. Introduction

- 1.1 Revenue budget monitor reports are produced between June (M3) and February (M11) in each financial year, to track progress against the agreed budget decisions over the year, forecast any anticipated significant variances to the budget and enable corrective action to be taken.
- 1.2 Each monthly revenue monitor report will be presented to the Executive via the Overview & Scrutiny Committee unless the meeting timetable works against this aim. The next monitor will go to the Committees along with the Month 10 (January) position, which will be available by then.

2 Options and Options Appraisal

- 2.1 Option 1: To continue with the spend freeze, to ensure that the Council stays within its 2006-07 budget or produces an marginal under spend to offset the major depletion in Reserve balances. This is the preferred option.
- 2.2 Option 2: To lift the spend freeze on non-pay items to reduce bureaucracy, and note that the £17,800 forecast over spend still needs management action to ensure we stay within budget this year.

3. Background Information

- 3.1 The projected Revenue forecast for the year, based on what we information at Month 9, shows an over spend of £17,800. Annex 1 gives a full analysis.
- 3.2 This position shows an improvement on the Month 8 report of circa £14,700. The table below shows the major reasons for the movement since last month.

Table 1 – Analysis of monthly movement

	Note	£ Dec	£
Month 8 reported position			32,500
Add. Finance Related Expenses (Bank Charges)	1	12,500	
Other net movements	2	14,800	
Planning	3	53,000	
			80,300
Less. Interest & Investment Income	4		-95,000
Month 9 reported position			17,800

Notes

- 1 Bank Charges shown in Finance Related Expenses below the “Net Cost of Services” line looks as if it will overspend by approximately £12,500 by year-end. The exact reason(s) are under investigation, but early indications suggest it is a result of increased costs arising from electronic banking transactions. This may be a recurring cost pressure not currently in the 2007-08 Budget. (included in Annex 3 Risk Assessment, “Implementing electronic government”)
- 2 Other net movements include Community & Environment -£7,900; Cleansing & Amenities +£400; Customer Services +£5,300 & Corporate Services +£17,000.

- 3 Planning have overstated their savings in prior months. They have identified savings without offsetting over spends in other areas of Planning thus, the actual net saving is in the region of £44.5k (see 3.3 below & Annex4 for details).
- 4 The Interest & Investment Income forecast outturn has been revised following the receipt of income from the sale of the Cattle Market. This is the key reason for the improvement.

3.3 The total under-spends identified by management reported last month was £651,000. (see Annex 4 for details) It is recommended that this target remain in force to avoid further call on reserves this year, all other things being equal.

Table 2 – Analysis of savings & under spend targets £

Business Area	Target	Achievement
Chief Executive	400	400
Community & Environment	256,700	256,700
Corporate Services	168,400	159,900
Customer Services	128,500	128,500
Planning Services	97,000	44,500
Total	651,000	590,000

In order to achieve the targeted £651,000, management need to identify a further £61,000.

3.4 The effect of the savings, on the position of the Business Areas compared to budget, is summarised below:

Table 3 – Business Area performance compared to budget £000's

Business Area	Adjusted Net Budget	Forecast for the year	Forecast Variance
Chief Executive	225.6	245.2	19.6
Community & Environment *	7,845.9	7,724.3	-121.6
Cleansing & Amenities	4,115.3	4,112.5	-2.8
Customer Services	3,144.0	3,150.6	6.6
Planning Services	1,507.3	1,642.0	134.7
Corporate Services	2,555.3	2,536.9	-18.4

* Excludes extra funding to NWLL.

- 3.5 The position of NWLL has worsened. NWLL were asked to provide a 3-year recovery plan by December 31st, on the basis of the then agreed policy of running three leisure centres in 2007-10. The closure of the other 3 sites could not be effected until the end of March. The NWLL forecasts to the end of March showed a deficit in 2006-07 and, in order to shape an orderly transition to new arrangements from April, the Executive agreed to fund the shortfall. It is predicted this could be in the region of £680k, and has been reflected in the forecast & risk analysis.
- 3.6 The forecast Reserves position, with the additions in this report, shows an overall reduction in 2007-08 of £1,591k in the General Fund Balances.
- 3.7 The Capital position is the subject of a separate monitoring report.

4 Improving the Budget Monitor

- 4.1 We have identified twenty ways in which the in-year budget management can be improved, without changing the finance computer system. This is set out at [Annex 5](#); the underlying idea behind the Annex is the need to better understand the reasons for any variations from the plan. Without better information, policy makers could take the wrong actions. The Executive is asked to agree the 20, along with any improvements.

5. Financial Implications

- 5.1 The effect on the Council's Reserves, if the under spend at Month 9 (December) remains, is to take the reduction in the Reserves in 2006-07 to £1,591,500, as follows:

Table 4 – Analysis of movement in general reserves during the year £000's

General Fund Reserves at March 2006		5,168
2006-07 Budgeted reduction – carry forwards	-256	
In year changes previously agreed	-637	-893
Subtotal		4,275
This report - NWLL January	-180	
NWLL February/March	-500	-680
Subtotal		3,595
This report – predicted outturn – over spend	-18	-18
Predicted General Fund Reserves at March 2007		3,577

Minimum level of Reserves, recommended to the February 1st 2007 Executive £3.5m.

- 5.2 The bulk of recharges have simply been accrued to budget i.e. the actual is assumed to be the same as the budget. Work has begun on reviewing the basis of recharges and once complete the revised allocation & apportionment bases will be used.
- 5.3 This year's budget is largely profiled in 1/12ths. As part of the 2007-08 Budget process we will be adding different profiles to reflect the income and expenditure patterns more accurately in next years accounts. Planning income in particular will benefit from this development.

6. Risk Analysis

- 6.1 When the budget was set by Council in February 2006, a revenue risk assessment was prepared. This risk assessment has been updated and is attached as Annex 3 to this report. The maximum level of risk has increased from £500k [at February] to over £1,709k, the majority of which is reflected in the outturn.
- 6.2 The items that are not included in the outturn at their maximum value are Building Control £178.5k (Annex 3 £185k), NWLL Leisure Centre closures at £270k (Annex 3 £400k), NWLL Exceptional Payments (Annex 3 £750k).
- 6.3 There is considerable uncertainty surrounding the costs associated with the Leisure Centre closures, coupled with the continued poor operational performance of NWLL.

Annexes:	<ol style="list-style-type: none"> 1. Summary Monitoring Table December 2006 2. Main Budget Variances: December 2006 3. Updated Revenue Budget Risk Assessment for 2006/07 4. 2006/07 Under spend & Savings Review 5. Budget Monitor Improvements
Background Documents Used in the Preparation of this Report:	<ul style="list-style-type: none"> • Budget monitoring reports for Teams across the Council

Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference
Budget Proposals 2006/2007	Council – 21 February 2006	C92.
Revenue Budget Monitor June 2006 M3	Executive – 31 August 2006	E39.
Revenue Budget Monitor Sept 2006 M6	Executive – 9 November 2006	E79.
The future of Leisure Provision	Executive – 23 November 2006	Resolutions 1-8
Revenue Budget Monitor Oct 2006 M7	Executive – 14 December 2006	E123
Revenue Budget Monitor Nov 2006 M8	Executive – 18 January 2007	E138