

REPORT TO: The Executive

Report No. 8

Date of Meeting	15 March 2007
Title of Report	Revenue Budget 2007-08 – Project budgets
Portfolio	Leader's Responsibilities
Link to Corporate Priorities	All
Key Decision	Yes
Executive Workplan Ref	N/A
Public Report	Yes

Summary of Report

To bring before the Executive proposals to carry forward 'project budgets' from the 2006-07 Revenue budget into the 2007-08 Revenue budget.

Officer Recommendations

That the Executive agree,

- 1 the 'project budgets', to be carried forward from the 2006-07 Revenue budget into the 2007-08 Revenue budget, as set out at 4.1 and 4.2.**
- 2 The Government Grants, specified at 6.1 be automatically carried forward.**

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	None	None	None

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1 Introduction

- 1.1 A revenue project that is expected to be complete by 31st March may not always proceed to schedule. It may therefore remain incomplete at the end of a given financial year. A process is proposed to 'carry forward' the funding of a project from one year to the next. This will improve accountability, transparency and reveal the true level of Reserves, which will no longer be distorted by an underspend that is, in truth, required to fund expenditure in the following year to prevent an overspend.
- 1.2 This is to be distinguished from *earmarked reserves*, such as the Insurance Fund or the Equipment Fund, where there is a permanent carry-forward arrangement, as opposed to an ad hoc requirement. At March 31 2006, the top 8 earmarked reserves represented 90% of the value of the total of £5.622m. The details are at Annex 1.

2. Options and Options Appraisal

- 2.1 Option 1: That the Executive agree the project budgets;
- 2.2 Option 2: That the Executive propose alternatives.

3. Background information

- 3.1 The rationale for a project budget process is set out at 1.1 above. The Executive are asked to agree a schedule of proposed carry forwards submitted by the appropriate Business Areas. The proposed carry forwards meet a number of key criteria - see the box – in order to be considered for approval.

Box - Key criteria

In producing its list of proposed expenditure/budget carry forwards, a Business Area should consider the following criteria:

- The Business Area (eg Community & Environment) should not be showing a projected overspend against its latest total approved budget.
- Individual amounts requested to be carried forward against a given project should not be less than the *de minimus* level of £3.8k (broadly a 1:15k ratio against gross spend).
- The amount requested to be carried forward against a given project should not be greater than the projected underspend on that project for the year.
- The project delay giving rise to the underspend should be demonstrably beyond the control of the budget manager.
- The project should be one which can be demonstrated to be vital to the achievement of a high priority objective.
- There is a project plan to complete the project, with key milestone dates.

The judgement of projected outturn variances should be based upon the latest revenue budget monitoring information submitted to Executive; that is, Month 10.

4 Financial Implications

- 4.1 The level of requested carryforwards is set out below at Table 1, and amounts to £284,493. Many of these underspends were not declared at Month 9, but are being declared at Month 10.

Table 1: Carry forward requests

		£
1 Housing	Homelessness strategy	36,322
2 Housing	Homelessness initiatives	10,000
3 Corporate	Intranet implementation	29,000
4 Community & Environment	LPSA 15 month salaries	45,000
5 Asset Design Regeneration	Database for asset plan	25,000
6 Asset Design Regeneration	Athelstan Museum Project	11,375
7 Asset Design Regeneration	Leisure PPM unspent	72,796
8 Leisure	Consultants budget	50,000
9 Customer Services	Chip & pin software	5,000
		284,493

4.2 In addition, there is the provision for the closure costs of the leisure centres. The M9 monitor allowed £270k for 3 centres. The reduction to two centres will decrease this figure to £200k. From this sum, payments could be made, depending on negotiations that are still taking place. However, it would be prudent to carry forward the balance, in case closures still take place.

4.3 Looking to this time next year, existing project budgets that remain unspent are automatically rolled forward. During the year's monitoring in 2007-08, they are shown as fully spent, and thereby avoid distorting the underlying performance against budget.

5 Legal Implications

5.1 The Council has the powers to undertake the policy proposals set out in this report.

6 Risk Analysis

6.1 Risks will be assessed as part of the closedown process. A development of the concept is to create an automatic rollover category. The following are specified; the Government Grants, Planning Delivery Grant and Non-Smoking Grant. The convention is to show such budgets as spent.

Annexes

Annexes:	Annex 1 – Proforma requests
Background Documents Used in the Preparation of this Report:	

Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference
None		

Annex 1 Earmarked Reserves at March 31, 2006

	£	%
Equipment Fund	1,140	
Grounds Maintenance amortisation	953	
Office Equalisation	728	
New offices sinking fund	694	
Planning Development Grant	574	
LABGI Grant Reserve	472	
S106 agreements	281	
Insurance Fund	237	
Sub total	<u>5,079</u>	90.3
16 other items	<u>543</u>	
Total	<u>5,622</u>	