

REPORT TO THE EXECUTIVE

Report No. 9

Date of Meeting	June 7 2007
Title of Report	Revenue Monitor – Framework for Improvements
Portfolio	Leader's Responsibilities
Link to Corporate Priorities	All
Key Decision	Yes
Executive Workplan Ref	B338
Public Report	Yes

Summary of Report

The report sets out the Programme for improving the Revenue budget monitor and when the improvements will take place

Officer Recommendations

That the Executive note the form of the revenue monitoring report Annex 1, and the implementation schedule to improve the budget monitor (Annex 2).

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
None	None	None	None	None

Contact Officer	Peter Timmins, Section 151 Officer, 01249 706219 ptimmins@northwiltshire.gov.uk
------------------------	--

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.

2. Options & Options Appraisal

- 2.1 Option 1: To agree the timetable set out at Annex 2 and propose further improvements.
- 2.2 Option 2: To not agree the timetable.

3. Background Information

- 3.1 The Executive of March 15th, 2007 agreed the twenty ways in which the in-year budget management can be improved, without changing the finance computer system. Two of these were implemented by March 2007.
- 3.2 The Annexes set out the format of future revenue monitoring reports (Annex 1), and the timetable for implementing the changes. These are expressed in terms of the month's monitor; for example Month 6 is the September 07 spend, that will be reported in November 2007; the timetable set out at Annex 3
- 3.3 A feature of the timetable is the early information going to all Members, within 3 weeks of the end of the month. This will improve transparency, and enable the issues to be raised whilst they are still hot, rather than wait for a Committee, that will be more weeks away.

4. Risk Analysis

- 4.1 The process is designed to improve transparency and reduce risk.

Annexes:	1 Format of Revenue Monitor 2. Timetable for the introduction of improvements.
Background Documents Used in the Preparation of this Report:	<ul style="list-style-type: none">March 15 2007 Executive - Budget monitoring

Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference

Format of Revenue Budget Monitoring report

Annex 1

1 Introduction

2 Options & Options Appraisal

3. Background Information

3.1 Overall position - The projected Revenue forecast for the year at Month X.

Graph showing surplus/deficit, month by month, over the year,

Table showing over/underspend by "subjective & gross net" (Pay, premises, transport, supplies, third party, transfer payments, capital, recharges, income, recharges), budget compared to outturn. Annex shows spend to date, predicted spend and total spend, compared to budget. Also reasons for change between price and volume

Table showing over/underspend by Business Area. An aid to directing action, on a traffic light basis. Greater detail in Annex

Graph showing head count – FTE, FTE budgeted posts, FTE posts filled at point in time

3.4 Change in month. Analysis of monthly movement by Business Area and subjective.

Table of monthly movement by Business Area

Table of monthly movement by subjective and gross/net

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

Graph showing actual against expected growth in properties

3.6 Write-offs.

Cumulative position, and any recommended change, for Council Tax, HB recovery, Other Income and NNDR

4 Special circumstances (and Quarterly items)

4.1 Any special events, both recent and forthcoming, that has, or will affect the outturn.

4.2 Quarterly items

- Text on progress against Key Lines of Enquiry on Use of Resources
- KPI
- Benchmarking
- 3 year picture
- Trend analysis

5. Financial Implications

5.1 The effect on the Council's Reserves

Table showing the predicted year end position.
--

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

5.2 The effect of Council Tax collection and growth on the Collection Fund

Table – predicted surplus or deficit compared to budget and impact on following year.

5.4 Financial health. Text recording the number of Virements, a proxy for the health of the budget, and the current position on Reconciliations

5.4 Training – commentary on training of staff and members.

6 Risk Analysis

6.1 Commentary on risk analysis, the details of which will be in an Annex.

1 Introduction

- 1.1 The Executive of March 15th, 2007 agreed the twenty ways in which the in-year budget management can be improved, without changing the finance computer system.
- 1.2 They designated reporting through the monthly monitors (June-Feb) on the following cycles:
- Monthly 2.1 to 2.10
 - Quarterly 2.11 to 2.16

2 Improvements

No	Item	Implementation date
2.1	Monthly Gross/net – the current reporting system concentrates on net outcomes (that is, spend reduced by income). This hides the full picture, whereby the reasons for change can be a variation of spend, a variation of income, or both. Without this knowledge, policy makers are ignorant of the true reason for variation.	M3
2.2	Subjective – another way of dicing the information is to look at types of expenditure, for example pay, rather than looking at spend by service. In the jargon of the trade, we would present a subjective analysis (pay, premises, supplies & services etc) as well as an objective one.	M3
2.3	Volume or price – more non-financial information should be included in the reasons for variation. One starting point is to analyse the reasons for variation between price or volume changes.	M9
2.4	Project budgets - the concept of Project Budgets is to provide a mechanism, whereby the available in-year funding for a project continues to be available to the project until it is completed, or the funding is exhausted. In this way, the project is not affected by the year end rules, whereby March 31 st is a cut-off date. In normal circumstances, any unused funds are “returned to the bank” and thereby lost to the project manager. The advantage of project budgets is that it reduces the manipulation of budgets or spend (to get around the year-end), and reduces the ‘noise’ in the system.	Complete March 15, 2007 Executive
2.5	Contingent budgets – similarly, the idea here is that risk is being budgeted for, which might not come to pass. The answer is to build a budget, which is only released on evidence that the risk has occurred.	CMB March 22, 2007
2.6	Collection Fund - the Collection Fund is the ultimate read-out of income collection performance (on Council Tax and Business Rate), the results of which can affect the following year's level of Council Tax. Reporting the emerging position on the Collection Fund, as part of the monthly monitor, completes the financial picture.	M6
2.7	Virements – an excessive use of virements is proof that the budget is wrong in detail. Reporting the level of virements, both inside a business area and between business areas, will improve knowledge. The report should be in terms of the amount and the percentage of budget.	M3
2.8	Write-offs – as part of the monthly routine, bad debts should be written off on a frequent basis, for the small amounts and quarterly for the listed larger amounts. An aged debt analysis should be part of the analysis.	M3

2.9	Reconciliation's – these are the bedrock of sound financial management – an Annex should be included, listing them and achievement (or not) of the monthly reconciliation.	M3
2.10	Headcount – the budget should also track the headcount, in terms of posts and full time equivalents.	M3
	Quarterly	
2.11	Use of Resources and Key Lines of Enquiry [KLOE] – tying the overall direction of improvement to the national measuring system will ensure there is constant relevant improvement. Included in the monitor, every quarter should be progress against these measures.	M6
2.12	KPI's – obviously performance against KPI's is an integral part of performance monitoring. The links will be drawn out. It is not the intention that the monitor turns into a PI report.	M6
2.13	Benchmarking – as is this, to see how a KPI compares with best practice as a guide to financial action. It is not the intention that the monitor turns into a Benchmarking report.	M6
2.14	Risk - one of the KLOE standards is to use concept of 'risk' more, and point decision makers to the true areas of risk that stand out from the background noise. Over and underspends will be categorised Red, Amber, Green to draw attention to those items required most consideration.	M3
2.15	3-year picture – the short term can only be fully understood in the longer-term context. Equally the short term can affect the longer-term. A quarterly supplement to the monitor to 'check out' the longer term picture and update the Medium Term Financial Plan is desirable.	M6
2.16	Trend analysis – this sets out the direction of travel of services.	M6
	Other	
2.17	Profiling – the use of budget profiles, to reflect the way spend or income occurs (usually not in equal 12ths), will eventually enable managers and decision makers to monitor in-month performance. This improvement will only become really accurate with the introduction of the commitment facility.	M2
2.18	Capital – a section linking the revenue and capital budgets, including borrowing performance.	M2
2.19	Graphics – the use of more pictures, in place of text, to improve readability.	M3
2.20	Staff – the training of all staff in the different competencies required by virtue of their position in the organisation is a necessity, as is the reporting of progress in delivering that training. The outcomes of the training should feed into each individual performance appraisal, so that recognised shortcomings are addressed in a structured way.	?

Monitoring Reports 2007-08
Annex 3

	1	2	3	4	5	6	7	8	9	10
	Close	Bk back	FC & HoS	Report	CMB	Members	Maris	Cleared	Dispatch	Exec Meeting
Month										
1 April	Mon 30/4	1/5-4/5	1/5-9/5	Thurs 10/5	Thurs 17/5	Fri 18/5	17/05	25/05	29/05	Thurs 7/6
2 May	Thurs 31/5	1/6-5/6	1/6-7/6	Fri 8/6	Thurs 14/6	Fri 15/6	22/6	2/07	3/07	Thurs 12/7
3 June	Fri 29/6	2/7-5/7	2/7-9/7	Tues 10/7	Thurs 12/7	Fri 13/7	9/08	17/08	20/08	Thurs 30/8
4 July	Tues 31/7	1/8-3/8	1/8-9/8	Fri 10/8	Thurs 16/8	Fri 17/8	31/08	10/09	11/09	Thurs 20/9
5 August	Fri 31/8	3/9-5/9	3/9-7/9	Mon 10/9	Thurs 13/9	Fri 14/9	14/09	24/09	25/09	Thurs 4/10
6 September	Fri 28/9	1/10-5/10	1/10-9/10	Weds 10/10	Thurs 11/10	Fri 12/10	12/10	22/10	23/10	Thurs 1/11
7 October	Weds 31/10	1/11-5/11	1/11-8/11	Fri 9/11	Thurs 15/11	Fri 16/11	16/11	26/11	27/11	Thurs 6/12
8 November	Fri 30/11	3/12-5/12	3/12-7/12	Mon 10/12	Thurs 13/12	Fri 14/12	27/12	7/01	8/01	Thurs 17/1
9 December	Mon 31/12	2/1-4/1	2/1-9/1	Thurs 10/1	Thurs 17/1	Fri 18/1	18/01	28/01	29/01	Thurs 7/2
10 January	Thurs 31/1	1/2-5/2	1/2-7/2	Fri 8/2	Thurs 14/2	Fri 15/2	22/02	3/03	4/03	Thurs 13/3
11 February	Fri 29/2	3/3-5/3	3/3-7/3	Mon 10/3	Thurs 13/3	Fri 14/3	4/04	14/04	15/04	Thurs 24/4
12 March	Mon 31/3	1/4-4/4	1/4-9/4	Thurs 10/4	Thurs 17/4	Fri 18/4	24/04	02/05	06/05	Thurs 15/5