

REPORT TO THE EXECUTIVE

Report No. 11

Date of Meeting	12 th July 2007
Title of Report	Revenue Monitor 2007-08 - Month 2
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 2 of the 2007-08 financial year, showing the financial position at the end of May 2007 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 under spend of £36k.
- 2 That the Executive agree,
 - to redeploy growth of £50k (for a loss of income in Planning that will now not occur) to fund redundancy costs.

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 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 M2 are, the provisional results of the closure of the 2006-07 accounts, the appointment of a permanent S151 Officer, an update on cashflow performance, the use of funding to support the restructure, and an overview of the early work on 2008-09 budget. There is more on this at 4.1, but first, Section 3 sets out the Month 2 position.

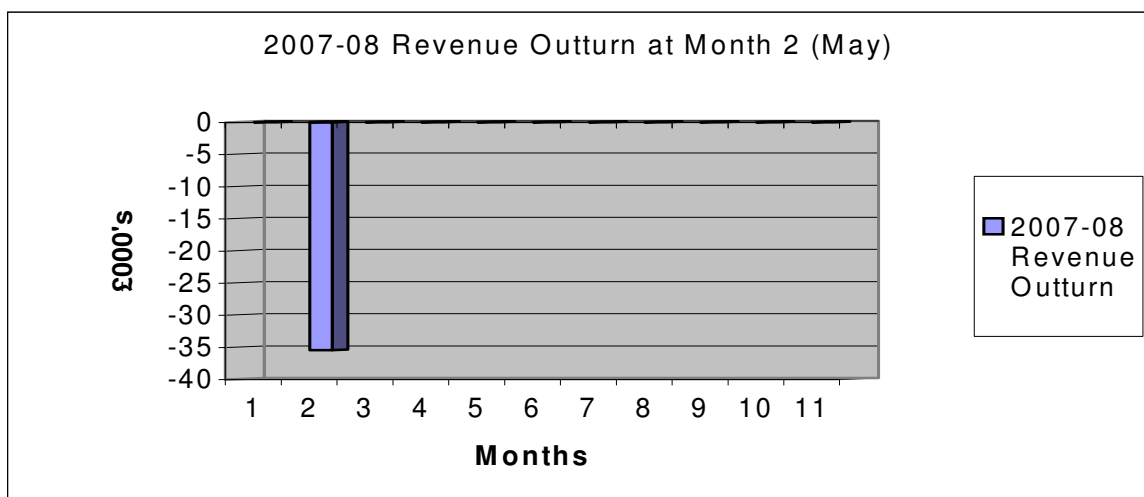
2 Options & Options Appraisal

- 2.1 Option 1: To agree the recommendations
- 2.2 Option 2: To not approve the recommendations. If this were the case, the Council would be badly placed to fund redundancy costs.

3. Background Information

- 3.1 **Overall position** - The projected Revenue forecast for the year, at Month 2, shows an underspend of £36k. Annex 1 gives a full analysis, which includes the addition of the £612k carry-forwards (from 2006-07) to the Original Budget, to produce the Revised Budget against which the expenditure is measured.

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



Note – the underspend is derived from the delay in implementing some growth items, that were identified as ‘contingent’ budgets, that is, they can only be used for the purposes for which they were voted. The Contingent Budgets are listed at page 109 of the Budget Book.

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

Type of cost/income	Budget	Forecast for the year	Forecast Variance	Traffic Light R,A, G
Pay	14,059.0	14,023.5	-35.5	G
Premises	1,283.8	1,283.8	0.0	G
Transport	1,405.8	1,405.8	0.0	G
Supplies	5,600.5	5,600.5	0.0	G
Third Party	2,518.7	2,518.7	0.0	G
Transfer Payments	21,150.0	21,150.0	0.0	G
Controllable Expenditure	46,017.8	45,982.3	-35.5	
Capital Financing	4,131.3	4,131.3		G
Recharges	8,297.8	8,297.8		G
Gross Expenditure	58,446.9	58,411.4	-35.5	
Income	-28,744.0	-28,744.0		G
Recharges	-8,945.3	-8,945.3		G
Net Cost of Services	20,757.6	20,722.1	-35.5	

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

Business Area	Net Budget	Forecast for the year	Forecast Variance	Traffic Light R,A, G
Chief Executive	253.5	253.5		G
Community & Environment	8,869.2	8,857.2	-12.0	G
Cleansing & Amenities	4,315.8	4,301.3	-14.5	G
Customer Services	2,513.0	2,504.0	-9.0	G
Planning Services	1,771.0	1,771.0		G
Corporate Services	3,035.1	3,035.1		G
Net Cost of Services	20,757.6	20,722.1	-35.5	

Exhibit 4 - Graph showing head count – available M3 onwards

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

- 3.2 **Change in month.** Analysis of monthly movement by subjective and Business Area from the previous month.

Exhibit 5 – Table showing monthly movement by subjective and gross/net £000’s

	Note		
Month 0 Budget position			0
Expenditure			
Less reduction in pay		-35.5	
Add increased costs		0	
Income			
Less increase in income		0	
Add reduction in income		0	
Months change			-35.5
Month 2 reported position			-35.5

**Exhibit 6 – Table showing monthly movement by Business Area, April/May 2007
£000's**

	Note		
Month 0 Budget position			0
Chief Executive		0	
Community & Environment		-12.0	
Cleansing & Amenities		-14.5	
Customer Services		-9.0	
Planning Services		0	
Corporate Services		0	
Months change			-35.5
Month 2 reported position			-35.5

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

Exhibit 7 - Graph showing actual against expected growth in properties - Available M6 onwards

3.4 Write-offs. Cumulative position, and any recommended change, for Council Tax, HB recovery, Other Income and NNDR

Exhibit 8 – Table showing Write-Offs - Available M3 onwards

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 provisional results of the closure of the 2006-07 accounts were reported to the Final Accounts and Audit Committee of June 28th. Although there was an overspend of £291k, it was more than offset by the results of a review of Earmarked Balances, which released £726k. The net effect was an increase in the General Fund Balance by £435k, from £3.596m to £4.031m. This result is provisional and subject to audit.
- The appointment of a permanent S151 Officer took place on June 29th. He will commence his duties with the Council on September 3rd, 2007.
- The Treasury Management & Investment Strategy Working Group of June 18th received an update on cashflow performance, which suggested a small surplus of £16k compared to the original estimate. This has not been counted into the outturn.
- The restructure is proceeding, and was budgeted to produce a saving of £250k in 2007-08. The Executive of April 19th agreed to a provision of £128.5k from 2006-07 to help fund redundancy costs. It is proposed that growth of £50k for a loss of income in Planning that will now not occur, should also be redeployed to fund redundancy costs. If this were agreed, the position, so far is a saving of just under £150k as set out below. The M2 monitor continues to assume the whole £250k saving will be achieved:

Exhibit 9: Reorganisation savings

	£
Salary saving	-208,460
Carryforward from 2006-07	-128,500
Proposed 2007-08 virement	-50,000
Total savings	<u>-386,960</u>
Costs to date	238,570
Saving to date	<u><u>-148,390</u></u>

- 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 results will be reported to the first meeting of the Budget & Strategic Planning Working Group in September 2007.
- The Government are engaged with seven initiatives over this summer, ranging from Concessionary Fares to Incentives for Recycling – they are set out at Annex 6.

4.2 Quarterly items – all these items will be reported in the M6 monitor.

- Progress against Key Lines of Enquiry on Use of Resources
- Key Performance Indicators
- Benchmarking
- 3 year picture
- Trend analysis

4.3 Annex 4 includes an update on the improvements to the Revenue Budget Monitoring report. Five of the 20 items have been delivered (many ahead of plan), an improvement of three on the last monitor. A further three have been partially delivered, but one has slipped.

5. Financial Implications

5.1 The effect on the Council's Reserves, if the under spend at Month 2 remains, is minimal.

Exhibit 9 - Table Analysis of movement in general reserves during the year £000's

General Fund Reserves at March 2007 (provisional)		4,031
2007-08 Budgeted reduction		0
Subtotal		4,031
This report changes -		0
Subtotal		4,031
This report – predicted outturn – under spend		36
Predicted General Fund Reserves at March 2008		4,067

- Minimum level of Reserves of £3.5m, agreed by the Council February 22nd 2007
- The Executive of March 15th agreed that reserves in "excess" of the minimal level should only be deployed on Spend to Save schemes. No schemes have been submitted.

- 5.2 The 2006-07 provisional outturn of the Collection Fund has produced a surplus of £1.517m, which is £1.056m more than the £461k that was counted into the 2007-08 budget in February 2007. This addition is not available in 2007-08, for it is only distributed when the Council tax is set. It would generate funding for 2008-09 of £162k for the Council, which is not in the forecast. However, it is too early to count it into the forecast 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. The effect of Council Tax collection and property growth on the Collection Fund will be reported from M6 onwards.

**Exhibit 10 – Table predicted Collection Fund surplus/deficit and impact on 2008-09
£000**

Provisional 2006-07 surplus Balance Carried Forward	2,558	
Less, distributed as part of 2007-08 budget	<u>-1502</u>	
Net surplus		1,056
2007-08 Expected under/over collection		0
Net surplus to be available for decision in February 2008		1,056
NWDC share available for 2008-09, just under 15.4%		162

- 5.3 Financial health. From Month 3 this report will record the number of Virements, a proxy for the health of the budget, and the current position on Reconciliation's.
- 5.4 Training – Members received training on the generalities of local government finance on June 26th; further training, particular to NWDC has been requested. Staff training will commence in the autumn.
- 5.5 The Capital position will be reported from M3 – the closedown diverted resources such that it was not possible to produce a meaningful Capital monitoring report for M2.

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 this report has highlighted eight risks that are set out at Annex 3. At this stage of budgetary cycle, none of the risks is critical enough for them to be in the outturn.

Annexes:	<ol style="list-style-type: none"> 1. Summary Monitoring Table May 2007 2. Main Budget Variances: May 2007 3. Risk Assessment for 2007-08 4. Budget Monitor Improvements 5 Budget changes – original, carryforwards and revised 6 Government initiatives, Summer 2007
Background Documents Used in the Preparation of this Report:	<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 Revenue Monitor – Framework for Improvements	Council – February 22, 2007 Executive - June 7, 2007	