

REPORT TO THE EXECUTIVE

Report No. 7

Date of Meeting	August 30, 2007
Title of Report	Revenue Budget Monitor 2007-08
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 3 of the 2007-08 financial year, showing the financial position at the end of June 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 £48k.
- 2 That the Executive receive at its next meeting proposals from Officers to contain overspends.
- 3 That the Executive agree to consider, as part of the M4 monitor:
 - the deployment of additional PDG income;
 - the budgetary response to the Unitary decision.

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 M3 are, the higher Planning Delivery Grant, an update on the reorganisation, a new risk on Concessionary Fares, and 4 new improvement items. Also, as this report was being written, there was the announcement on July 25th of a Unitary Wiltshire. There is more on this at 4.1, but first, Section 3 sets out the Month 3 position.

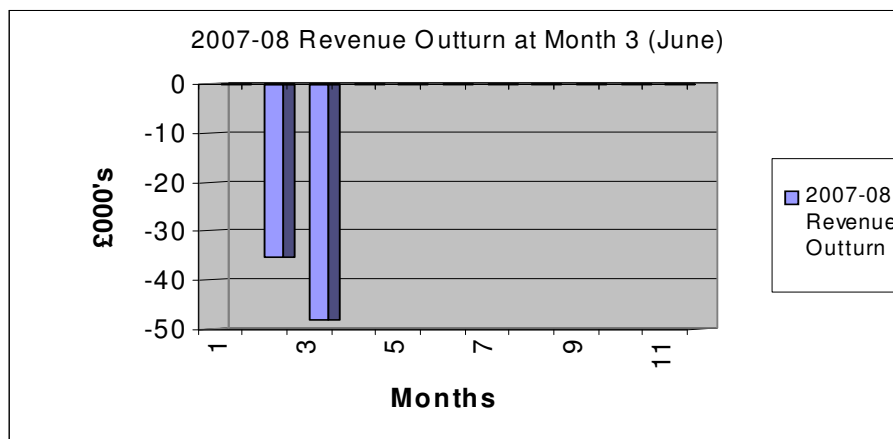
2 Options & Options Appraisal

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

3. Background Information

- 3.1 **Overall position** - The projected Revenue forecast for the year, at Month 3, shows an **under spend** of £48k, up from last month's £36k under spend. 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



The 'variations' are classified Red (over £100k), Amber (over £50k), and Green (Under £50k). The main report will only comment on Red items, of which there was one. It was due to more income being received for Planning Delivery Grant than had been forecast; the Executive is recommended to consider the use of the additional PDG income next month. The following Table tracks the risk progress:

Exhibit 2 – Table tracking overall risk performance of RAG in Exhibits 3 & 4

	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11
Red	0	1								
Amber	0	2								
Green	16	13								

Exhibit 3 – Table showing 2007-08 over/underspend by “subjective & gross net” £000’s

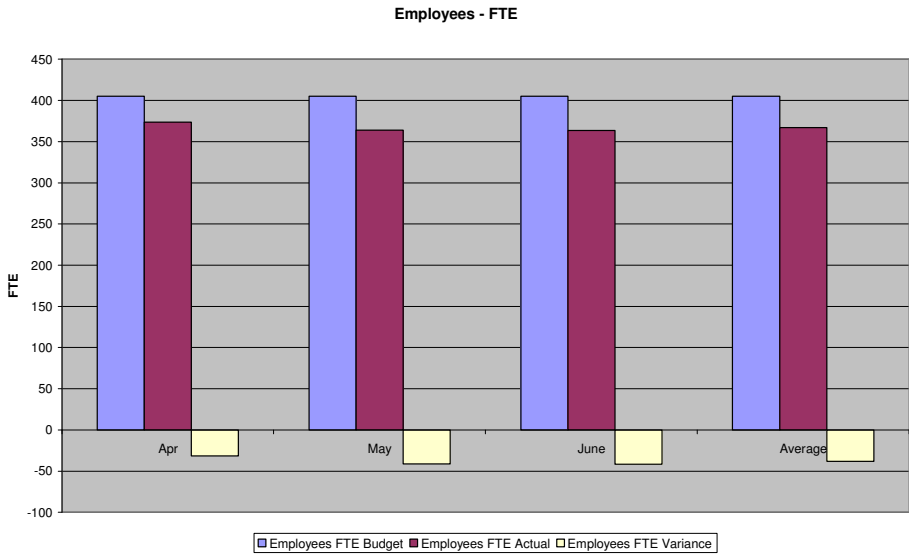
Type of cost/income	Budget	Forecast for the year	Forecast Variance	Traffic Light R,A, G
Pay	14,059.0	13,977.0	-82.3	A
Premises	1,283.8	1,283.8	0.0	G
Transport	1,405.8	1,405.8	0.0	G
Supplies	5,600.5	5,669.5	69.0	A
Third Party	2,518.7	2,518.7	0.0	G
Transfer Payments	21,150.0	21,150.0	0.0	G
Controllable Expenditure	46,017.8	46,004.8	-13.3	
Capital Financing	4,131.3	4,131.3	0.0	G
Recharges	8,297.8	8,297.8	0.0	G
Gross Expenditure	58,446.9	58,433.9	-13.3	
Income	-28,744.0	-28,779.0	-35.0	G
Recharges	-8,945.3	-8,945.3	0.0	G
Net Cost of Services	20,757.6	20,709.6	-48.3	

Exhibit 4 – 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	8,853.1	-16	G
Cleansing & Amenities	4,315.8	4,336.8	21	G
Customer Services	2,513.0	2,530.7	18	G
Planning Services	1,771.0	1,661.1	-110	R
Corporate Services	3,035.1	3,074.1	39	G
Net Cost of Services	20,757.6	20,709.3	-48.3	

The establishment started the year with 419.8 Full Time Equivalentents (FTE’s). This has since been reduced by 3 early retirements, to 416.8 FTE’s. The 3rd tier recruitment has taken place, and the shape of the 4th tier is about to be implemented; the results will be reported in the next Monitor.

Exhibit 5 - Graph showing head count



3.2 **Change in month.** Analysis of monthly movement by subjective and Business Area from the previous month. An income increase of £85k, mainly PDG, has been reduced by £50k, which is a predicted fall in on-street car park income. The increased expenditure is mainly due to the predicted non-achievement of £50k efficiency savings in Cleansing.

Exhibit 6 – Table showing monthly movement by subjective and gross/net £000’s

	Note		
Month 2 Budget position			-35.5
Expenditure			
Less reduction in pay		-46.8	
Add increased costs		69.0	
Income			
Less increase in income		-35.0	
Add reduction in income		0	
Months change			-12.8
Month 3 reported position			-48.3

Exhibit 7 – Table showing monthly movement by Business Area, April/May 2007 £000’s

	Note		
Month 2 Budget position			-35.5
Chief Executive		0	
Community & Environment		-4.1	
Cleansing & Amenities		35.5	
Customer Services		26.7	
Planning Services		-109.9	
Corporate Services		39.0	
Months change			-12.8
Month 3 reported position			-48.3

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

Exhibit 8 - Graph showing actual against expected growth in properties - Available M6 onwards

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 July 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.

Exhibit 9 – 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, on July 25th, announced that Wiltshire was to become a Unitary authority. There will be a re-appraisal of plans, and change of focus. Currently there is no budget for Unitary work. This will be considered in the M4 monitor.
- The second tranche of the Planning Delivery Grant was announced (July 24), taking the total to £230.969k, which is £81k over the budget of £150k. Proposals for the use of the surplus will be discussed in the next monitor.
- There is a new risk arising on 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 consider whether to set aside resources to cover the 2007-08 risk, or note it as an issue to be reviewed when there is better information.

- "The restructure was budgeted to produce a saving of £250k in 2007/08. The M2 monitor reported the achievement of a saving of £150k (see Exhibit 10), and assumed the whole £250k would be achieved by March 2008. Since then, 5 Heads of Service at 3rd tier have been appointed. As a result of the Unitary decision it is unlikely that the remaining Heads of Service posts will be filled. Instead, it is likely that a "hybrid" management structure for the transition period will be put in place. The financial implications of this will be reported in the next Monitor."

Exhibit 10: Reorganisation savings

	£
Salary saving	-208,460
Carryforward from 2006-07 (Exec 19/4)	-128,500
Virement 2007-08 (Exec 12/7)	-50,000
Total savings	<u>-386,960</u>
Costs to date	<u>238,570</u>
Saving to date	<u><u>-148,390</u></u>

- Five improvement items are triggered this month, headcount (Exh 4), write-offs (Para 3.4), virements (Para 5.3), reconciliation's (Para 5.3) and the links to capital (Para 5.5).
- The 2006-07 accounts are being audited, the results of which will be reported to the Final Accounts and Audit Committee of September 25th.
- The permanent S151 Officer, will commence his duties with the Council on September 3rd, 2007.
- 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 Executive on August 30th, the Member Development Day on September 6th and the first meeting of the Budget & Strategic Planning Working Group on October 31st 2007.
- The Government have added another initiative to the seven listed at M2, 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. Eleven of the 20 items have been delivered (up from 5 last month). One further item has 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 3 remains, is minimal.

Exhibit 11 - 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 - July 12 Executive – Spend to Save, Revenues		-100
Subtotal		3,931
This report – predicted outturn – under spend		48
Predicted General Fund Reserves at March 2008		3,979

- 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. 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. The effect of Council Tax collection and property growth on the Collection Fund will be reported from M6 onwards.

5.3 Financial health.

- Virements – only one virement has taken place to date, the £50k transfer of funds from Planning to Redundancy costs.
- 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. "Cash and Bank" lists the financial systems which record cash entering or leaving the Council and which, as a result, present the highest risk. As a consequence they should be reconciled on a **daily basis**.
 2. "Control Accounts" lists those systems which (in the main) are managing debts due to or from the Council (Council Tax, NNDR, Benefits, Sundry Accounts Receivable). Monthly reconciliations take the form of ensuring that outstanding debtors and creditors are provable. The other Control Accounts relate to cash sources for which there is no debtor control; and so the reconciliation is to ensure that all cash received is provable through to a nominal account posting. A single value can vary from trifling receipt (a few pence/pounds) through to several million pounds (e.g. treasury borrowing). Given that the actual receipts/payments to/from Control Accounts is taking place on a daily basis (see above) the Control Accounts themselves need only be reconciled on a **monthly basis**.
 3. "Journal Transfer" sources effect transfers of sums within the general ledger (i.e. not of themselves increasing or reducing the amount of cash in the ledger). Systems such as Traffic (mechanics shop recharges) and Stores (e.g. fuel issues) need to be managed and input on a **regular basis** to ensure that service accounts remain current. Accountancy

journals vary, both in materiality and frequency, and control is exercised at the **point of input** by limiting the number of authorised users and internal check arrangements.

- 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 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.

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 the two pages of 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, in M4, should be given to the risk with the maximum score, the Unitary decision.
- 6.2 Exhibit 2 also tracks risk, being the overall risk performance of the monitoring, month by month. It is suggested that having 50% of the measures at Red would be a cause for concern. The current level is 6%.

Annexes:	<ul style="list-style-type: none"> 1. Summary Monitoring Table June 2007 2. Main Budget Variances: June 2007 3a. Risk Assessment for 2007-08 3b. Risk Marking 4. Budget Monitor Improvements 5. Budget changes – original, carryforwards and revised 6. Government initiatives, summer 2007 7. Headcount 8. Reconciliations
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	Council – February 22, 2007	
Revenue Monitor – Framework for Improvements	Executive - June 7, 2007 Executive July 12, 2007	
Revenue Monitor 2007-08 – Month 2 May		