

<b>Date of Meeting</b>	<b>15<sup>th</sup> March 2007</b>
<b>Title of Report</b>	<b>Revenue Budget Monitor – Month 10 (January)</b>
<b>Portfolio</b>	<b>Leader's Responsibilities</b>
Link to Corporate Priorities	All
Key Decision	Yes
Executive Workplan Ref	
Public Report	Yes

### Summary of Report

The report sets out the Revenue budget monitor for Month 10 of the 2006/07 financial year, showing the financial position at the end of January 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 £87,000, an improvement of £104,800 on the Month 9 reported position;
- 2 That the Executive lift the spend freeze on non-pay items (Option 1);
- 3 The Executive note the Project budgets carry forwards. (See paragraph 4.1 & Report V F28, 9.45).

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.

## 2 Options and Options Appraisal

- 2.1 Option 1: To lift the spend freeze on non-pay items to reduce bureaucracy. This is the preferred option.
- 2.2 Option 2: 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.

## 3. Background Information

- 3.1 The projected Revenue forecast for the year, based on what we information at Month 10, shows an under spend of £87,000. [Annex 1](#) gives a full analysis.
- 3.2 This position shows an improvement on the Month 9 report of circa £104,800. The table below shows the major reasons for the movement since last month.

**Table 1 – Analysis of monthly movement**

	Note	£ Dec	£
Month 9 reported position			17,800
Add. Interest & Investment Income Other net movements	1	12,300 11,200	23,500
Less. Leisure Centre closure & on going costs Planning Corporate Services	2 3 4	-70,000 -20,800 -37,500	-128,300
Month 10 reported position			-87,000

### Notes

- 1 Last months Interest & Investment income forecast was overstated by £12.3k, following a review of the assumptions made in December.
- 2 With the Executive decision to keep the leisure centre at Wootton Bassett open (8<sup>th</sup> February) the cost of closure forecast, has been reduced by £70k.
- 3 The improvement in the Planning position is largely due to increased income from Land Charges & Building Control.
- 4 The improvement in the Corporate Services position is due to the reduction of the forecast overspend in Finance (£29k) & a number of smaller under spends in a number of other teams.

- 3.3 The total savings & under-spends identified by management as part of the spend freeze reported last month was £590,000. (see [Annex 4](#) of last months monitor for full 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
<b>Total</b>	<b>651,000</b>	<b>590,000</b>

In order to achieve the original targeted £651,000, management need to identify a further £61,000. Any savings above the current level achieved will however increase the under spend & return balances back to general reserves.

- 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	7,727.5	-118.3
Cleansing & Amenities	4,115.3	4,120.3	5.0
Customer Services	3,144.0	3,151.1	7.1
Planning Services**	1,507.3	1,621.2	113.9
Corporate Services	2,555.3	2,499.5	-55.8

\* Excludes extra funding to NWLL.

\*\* The VAT error identified in November is the reason for the over spend. Ignoring this one off issue, Planning has a forecast underlying under spend of c. £64.6k.

- 3.5 The position of NWLL has worsened. NWLL were asked to provide a 3-year recovery plan by December 31<sup>st</sup>, 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. \*\*\*

\*\*\* At the time of writing NWLL has gone into receivership (Monday 19<sup>th</sup> February 10pm). Given this is a post month 10 event, the financial implications of this material change will be fully evaluated in next months monitoring report.

- 3.6 The forecast Reserves position, with the additions in this report, shows an overall reduction in 2007-08 of £1,486k in the General Fund Balances.
- 3.7 The Capital position is the subject of a separate monitoring report.

## 4 Project Carry Forwards

- 4.1 The carry forward of project costs shown in the “Revenue Budget 2007-2010 – Project Budgets” report [Executive 15<sup>th</sup> March 2007] totalling c.£284,500 have been shown as spent in the forecast outturn position. They are shown in this manner so as to avoid distorting the underlying performance against budget.

This spend provision will be removed in month 12 & transferred to Earmarked reserves in the Balance Sheet where they will be rolled forward. The balances will be transferred back from Earmarked reserves into the income & expenditure account\* next financial year so funding will be available to complete the projects.

\* Two of the carry forwards have been re-designated as Capital (Intranet £29k & Asset Planning software £25k) The funding for these items will be vired to the Capital programme.

## 5. Financial Implications

- 5.1 The effect on the Council’s Reserves, if the under spend at Month 10 (January) remains, is to take the reduction in reserves in 2006-07 to £1,486,000, 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	
Leisure February/March	-500	-680
Subtotal		3,595
This report – predicted outturn – under spend		87
Predicted General Fund Reserves at March 2007		3,682

Minimum level of Reserves, recommended to the February 1<sup>st</sup> 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 £1,510k, 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), Leisure Centre closure costs at £200k (Annex 3 £300k).
- 6.3 There is considerable uncertainty surrounding the costs associated with the Leisure Centre closures, coupled with the continued poor operational performance of NWLL. (\*\* see note in paragraph 3.5)
- 6.4 The pressure on officers around the Council, arising from the leisure centre issue is having a detrimental effect on other essential work.

<b>Annexes:</b>	<ol style="list-style-type: none"> <li>1. Summary Monitoring Table December 2006</li> <li>2. Main Budget Variances: December 2006</li> <li>3. Updated Revenue Budget Risk Assessment for 2006/07</li> </ol>
<b>Background Documents Used in the Preparation of this Report:</b>	<ul style="list-style-type: none"> <li>• Budget monitoring reports for Teams across the Council</li> <li>• Minutes of relevant Member meetings</li> </ul>

#### Previous Decisions Connected with this Report

<b>Report</b>	<b>Committee &amp; Date</b>	<b>Minute Reference</b>
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
North Wiltshire Leisure Limited – Update	Executive – 8 February	E167