

Date of Meeting	April 2007
Title of Report	Revenue Budget Monitor – Month 11 (February)
Portfolio	Leader's Responsibilities
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 11 of the 2006/07 financial year, showing the financial position at the end of February 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 £181,900, an improvement of £94,900 on the Month 10 reported position;
- 2 That the Executive agree,
 - to retain the spend freeze on pay items (Option 1) and
 - the project carry forward of £128,500 towards the costs of Restructuring;
- 3 That the Executive note that two of the 20 items to improve the budget monitor (Annex 4) have been delivered.

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 & Options Appraisal

- 2.1 Option 1: To continue with the spend freeze on pay items, to ensure that the Council maximises its opportunities for redeployment etc. following the demise of NWLL & the start of the implementation of the management restructure. This is the preferred option.
- 2.2 Option 2: To lift the spend freeze remaining on pay.

3. Background Information

- 3.1 The projected Revenue forecast for the year, based on information at Month 11, shows an under spend of £181,900. [Annex 1](#) gives a full analysis.
- 3.2 This position shows an improvement on the Month 10 report of circa £94,900. The table below shows the major reasons for the movement since last month.

Table 1: Analysis of monthly movement – February 2007

	Note	£	£
Month 10 reported position			-87,000
Add. Restructuring costs contribution	1	128,500	
Other net movements		3,200	
			131,700
Less. Planning	2	-157,400	
Corporate Services	3	-69,200	
			-226,600
Month 11 reported position			-181,900

Notes

- 1 A provision is proposed to be made towards the costs of redundancy, following the management restructuring (which provision will need to be added to the list of carry forwards to 2007/08). Although one of the two Deputy-CEO posts has been filled, the result of the interview for the second post will not be known until at least April 26th. Tier 3 (Heads of Service) will not be known until at least the end of May 2007. The outline assumption for dealing with the costs of redundancy was to apply for a special capital allocation. However, the Government might not agree to the request or scale back the amount granted (as took place this year). The proposed use of the 'VAT underspend' reduces the risk to the Council and improves certainty.
- 2 The improvement in the Planning position is mainly due to completion of the analysis of the VAT error in Building Control. Detailed analysis has identified the error only goes back to January 2006 & is not a long-term systemic event as originally thought. The error appears to have arisen as a result of a change to an in-house system. The upshot of this finding is a reduction in the expected cost, to £50k, an improvement of £128.5k.

Increased income from Development Control & Building Control also contributed to the favourable in month position.

- 3 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 effect of the spend freeze and other decisions, on the position of the Business Areas compared to budget, is summarised below:

Table 2: 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	3,154.2	10.2
Planning Services***	1,507.3	1,413.8	-93.5
Corporate Services	2,555.3	2,499.5	-125.0

* Excludes the provision for restructuring costs

** Excludes extra funding to NWLL.& DCL

*** Excludes the c.£50k VAT error in Building Control.0

- 3.4 NWLL went into receivership at 10pm on Monday 19th February. This event followed lengthy discussions around the increasing cost of operating the six leisure centres. The failure of NWLL to deliver within the additional £500k (on top of the original exceptional payments) allocated to the end of the financial year, meant that the Council would slip below its minimum level of reserves. The Council refused requests for further funding and NWLL went into receivership.

The Council took the decision to TUPE all staff over from NWLL, to avoid mass redundancies and ensure all six leisure centres did not close prior to March 31st. With this transfer comes potential redundancy costs & long term pension fund deficits.

DC Leisure have been brought in to run the six leisure centres until the end of the financial year at which point they will no longer have operational responsibility for the centres at Cricklade and Calne. The staff will be transferred under TUPE regulations to DC Leisure from the 1st April. They will continue to operate the remaining leisure centres, over the ensuing 18-24 months, to a point where the service can be contracted out on a longer-term basis.

- 3.5 Annex 4 includes an update on the improvements to the Revenue Budget Monitoring report. Two of the 20 items have been delivered.
- 3.6 The forecast Reserves position, with the additions in this report, shows an overall reduction in 2007-08 of £1,391k in the General Fund balance this financial year. The Executive of March 15th agreed that reserves in "excess" of the minimal level should only be deployed on Spend to Save schemes.
- 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 15th March 2007] totalling c.£284,500 needs to be updated by the £128,500 restructuring provision plus, the £200,000 for the contributions to third parties to run Cricklade & Calne leisure centres from the 1st April 2007.

These items 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.

5. Financial Implications

- 5.1 The effect on the Council’s Reserves, if the under spend at Month 11 (February) remains, is to take the reduction in reserves in 2006-07 to £1,391,000, 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		182
Predicted General Fund Reserves at March 2007		3,777

Minimum level of Reserves, recommended to the February 1st 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. The revised allocation basis will be used for the first time on the month 12 outturn.
- 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 £1,375k, 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 liquidation of NWLL, the operation of the Leisure Centres to the end of the financial

year & transfers of Cricklade & Calne centres to third party operators and the decommissioning of the wet-side at Calne. (see notes in paragraph 3.4)

6.4 The pressure on officers around the Council, arising from the leisure centre issue continues to have a detrimental effect on other essential work.

Annexes:	<ol style="list-style-type: none"> 1. Summary Monitoring Table December 2006 2. Main Budget Variances: December 2006 3. Updated Revenue Budget Risk Assessment for 2006/07 4. Budget Monitor Improvements
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 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 2007	E167
Revenue Budget Monitor Nov 2006 M9/10	Executive – 15 March 2007	
Revenue Budget 2007-10: Project Budgets	Executive – 15 March 2007	
Revenue Budgets 2007-08 – Use of Excess Reserves	Executive – 15 March 2007	