

Report to: **Executive**
Date: **30th August 2005**
Report of: **Director of Finance and Corporate Services**
Subject: **General Fund/Housing Revenue - 2005/2006 Monitoring Statement**
Ward: **All**

1.0 Purpose of Report

1.1 To advise members on the financial position for the period 1st April 2005 to 30th June 2005.

2.0 Consultation

2.1 Consultation has taken place with the Director of Finance and Corporate Services and through the process, Budget Holders.

3.0 Process

3.1 Budget holders are required to carry out a monthly exercise of examining their spending and the attached appendices/statements reflect the forecasted position to the 31st March 2006.

4.0 Revised Forecast Position - General Fund

4.1 Appendices 1 and 1/1 show the projected position on a directorate basis. Reasons for variations are contained in appendix 1.

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4.2 At the end of the first quarter the summary is showing a net under-spend/efficiencies of £440,000.

4.3 Although at an early stage of the financial year the overall Directorate position outlined in Appendix 1/1 shows an under-spend position of just under £30,000.

4.3 In addition to the above miscellaneous items (appendix 1 /2) show under-spends/efficiencies of just over £410,000. Primarily these are due to the following: -

- Investment income is expected to increase by a further £180,000. This is due to the year-end position and level of reserves being higher than estimated at the time the budget was being finalised last December.
- To maximise the Council's financial position at the year end we were able to take advantage of the capital regulations/prudential borrowing arrangements by utilising unused capital receipts of £3.86m to offset borrowing requirements. This will secure savings in loan charges of £251,260 per annum until the Council needs to increase borrowing. At that time the we will replace that amount by prudential borrowing. (See capital accounting reversals - £251,260).
- Finally a further sum of £80,190 will be realised under the heading unapportionable central overheads. At the time the 2005/6 budgets were being prepared East Durham Homes had indicated they would be moving off site

Item no.

during the financial year. This did not materialise and therefore additional income is due to the Council for the use of the premises.

- Payment of £100,000 to buy out a Waste Contract. The position was identified in the Statement of Accounts for 2004/5 as an outstanding liability.

4.4 At this stage support services are showing a slight under-spend of just over £4000. (Appendix 2)

4.5 General Fund Balance

4.5.1 Appendix 3 illustrates the effects of the above on the reserve position, which has been revised to reflect the improved 2004/5 out-turn position.

4.5.2 The revised forecast reflects the savings identified above and the starting position for 2005/6 following closure of the accounts for 2004/5. Currently the forecast is showing an uncommitted balance of just over £4.4m estimated to 31/3/2006. This compares to an estimated balance of, £3.4m. at the time the budget was agreed. However members will recall the out turn report considered at Executive on 5th July 2005 where it was decided to utilise £1.5m from the reserve. Proposals will be considered when finalised.

5.0 **Housing Revenue Account (HRA)**

5.1 The summarised position for the HRA is set out in Appendix 4 and 4/1

5.2 Prior to considering the position of the HRA we need to take account of the starting position whereby the year-end position showed an improvement of around £1.4m when compared to the original budget for 2004/5. As reported in the Out-turn report the improved position was due to increased subsidy and revenue receipts from small asset disposals.

5.3 When the 2005/6 budget was agreed members will recall that we set a surplus budget to take account of some potential un-quantified risks facing the Council. The surplus was to be reviewed during the year. I'm pleased to report that the improved subsidy out-turn will mitigate an element of the risk leaving the majority of that surplus in tact.

5.4 In addition the improved reserve position at the year-end will earn the account additional interest of around £80,000 and we also expect to be able to reduce the rents bad debt provision by £50,000.

5.5 In summary the reserve position is expected to improve by around £900,000 to £3.2m. This position is pleasing but is of course subject to there being no issues arising from the Audit of the Accounts and the subsidy account being signed off as correct.

5.6 Given the above we are now seeing the HRA stabilise which in turn will create future capacity and flexibility to manage any unforeseen volatility in the account. The strong position will give the Council and East Durham Homes the confidence to meet future issues particularly in delivering the Service Improvement Plan to achieve 2* status. The Head of Housing Policy and East Durham Homes will consider the position in due course. Any proposals will be progressed through the Council's processes.

5.7 In considering the position we also need to ensure the future base budget position is sustainable. Currently consultants are reviewing our stock options again and some of the data will be useful to examine stock reduction trends/rental streams and enable us to project a picture of what the account looks like in the medium term.

5.8 Clearly one off subsidy income has been the main factor in strengthening the HRA reserve position but also the year on year position has changed following the subsidy

review. The outlook is now much more optimistic in contrast with the position over the last few years.

6.0 Implications

6.1 Policy

None

6.2 Financial

Any financial implications are included above but broadly the report is for information.

6.3 Legal

None

6.4 Risk

None, existing systems are controlling the overall budget position.

6.5 Communications

None

6.6 Corporate Implications

None

6.7 E Government

None

6.8 Procurement

None.

6.9 Equality and Diversity

None

7.0 Recommendation

7.1 The Committee is asked to note the position.

Background Papers

Budget/Cost tabulations - Financial Management System.
Statements from Budget Holders
Final Accounts Information 2004/5 - Working Papers
Budget Report - Council Extraordinary Meeting 25/02/2005
Out turn Report 5th July 2005.

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