

Report to: **Executive**
Date: **22nd November 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 September 2005.

2.0 Consultation

2.1 Consultation has taken place with senior staff in the Financial Management Unit 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 1/1 and 1/2 show the projected position on a directorate basis. Reasons for the larger variations are contained in appendices 1/2 and 1/3.

j EāĀĒēē~ēĒ~ēāĒÇ=īÇ~āÇīĒ=īŪ~ī~ā~^ēēĒāÇm~NLN~āÇ~NLO~Āāōī ēĒē~āā~Āē~ĀāĒīē~ēĒēēĒēĒāī~ī āÇĒē~ēēĒāÇēĀ

4.2 At the end of September the summary is showing a net under-spend/efficiencies of £421,280.

4.3 The overall Directorate position outlined in Appendix 1/2 shows an under-spend position of just over £54,000 around £18,000 less than that reported last month.

4.3 In addition to the above miscellaneous items (appendix 1/2) show under-spends/efficiencies of just over £367,000, this figure has held firm since last month.

4.4 Primarily these are due to the following: -

- Investment income is expected to increase by a further £57,000. 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 £328,050 per annum until the Council needs to increase borrowing. At that time I will replace that amount by prudential borrowing. (See capital accounting reversals - £328,050).

Item no.

- 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 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 the support services under-spend has moved from £29,000 to just over £63,000. (Appendix 2)

4.5 In summary the position at mid-year shows some stability in the forecasts, in particular the directorate's budget is coming in more or less on target, which is pleasing to note.

4.6 General Fund Balance

4.6.1 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.

4.6.2 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 £2.9m estimated to 31/3/2006. This compares to an estimated balance of, £3.4m. at the time the budget was agreed. The forecasted position of £2.9m reflects the use of reserves to the value of £1.5m, which was recently approved by Council.

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 for the time being. However we are seeing difficulties emerging around responsive repairs, which will need addressing. At this point the position is being examined by East Durham Homes and when finalised I will submit a report.

5.4 Setting aside the repairs issue at the last meeting I reported additional income of £180k in respect of interest earned and a reduction in the bad debt provisions. Since that report we are now forecasting rent income to fall by around £200k due to higher than anticipated sales, however I expect this to be offset by additional subsidy following completion of the 2004/5 final claim, which is subject to audit. The net effect from last month is therefore unchanged.

5.5 In summary the reserve position is still expected to improve by around £900,000 to £3.3m. 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 Although there are issues around repairs we are seeing the account stabilising, which in turn will create future capacity to manage the account. The strong reserve position will assist the Council and East Durham Homes to fund the necessary improvements required in a strategy to achieve 3stars, which will be presented to members shortly.
- 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 that over the last few years but clearly the position needs to be monitored closely.

6.0 Other Issues

^ááí -í bMmáíÉáÁó-pí-íÉáÉáíé-Ój íÇJvÉ-é-réÇ-íÉ-ÉdÉéúÇá-oÉíáí F=

- 6.1 Although as an excellent CPA authority there was no obligation to submit a mid-term position statement, I have reviewed the situation, which is set out in Appendix 5.
- 6.2 The shaded area in the centre of the report indicates the revised forecast and members will note that we are on target to achieve efficiencies of £1.771m, within £34k of the original estimate of £1.805m. Bearing in mind that our overall target is £1.8m for the 3 year period (2005/6 to 2007/8) this is a satisfactory position at this stage.

j ÉÇáí á-qÉéá-mí-á-Ó-OMMRLS-íÇ-OMMTLU-Ó-dÉáÉé-í-cí áÇ=

- 6.3 Members will recall a recent report calling for budget efficiencies of £400k per annum over the next 2 years. I'm pleased to report that at this stage I expect the figure to be achieved for the 2006/7 budgets.

7.0 Implications

- 7.1 **Policy**
None
- 7.2 **Financial**
Any financial implications are included above but broadly the report is for information.
- 7.3 **Legal**
None
- 7.4 **Risk**
None, existing systems are controlling the overall budget position.
- 7.5 **Communications**
None
- 7.6 **Corporate Implications**
None
- 7.7 **E Government**
None

7.8 **Procurement**

None.

7.9 **Equality and Diversity**

None

8.0 Recommendation

8.1 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.

THBbudmonsep200511102005