**THE MINUTES OF THE SPECIAL MEETING OF THE**

**EXECUTIVE**

**HELD ON TUESDAY 25 JUNE 2008**

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| Present: | Councillor A. Napier (Chair)<br>Councillors D. Myers, Mrs. A. Naylor, G. Patterson, F. Shaw, R.J. Todd and P.G. Ward |
| Apologies: | Councillors R. Crute, Mrs. J. Freak and Mrs. E. Huntington |

## 1. GENERAL FUND/HOUSING REVENUE ACCOUNT OUTTURN 2007/2008

Consideration was given to the report of the Director of Finance and Corporate Services on the General Fund/Housing Revenue Account Outturn 2007/2008, a copy of which had been circulated to each Member.

The purpose of the report was to advise Members of financial results for the year ended 31 March 2008 and to consider proposals arising from the accounts. T. Bell, Director of Finance and Corporate Services gave a detailed presentation to Members on the year end positions in relation to both the General Fund and the Housing Revenue Account (HRA).

By way of background, he explained that the Statement was a detailed document of the accounts which was set out in a prescribed format. The document reflected the position at one point in time, reflected the 2007/2008 budget strategy and took account of in year decisions. Some in year decisions were taken to strengthen the future financial position and in turn sustain progress in meeting the Council's priorities.

He advised that as Members were aware, the Council took a medium term approach to it's financial planning which allowed the Council to plan for the future with confidence as well as being prepared for any volatile periods to avoid disruption to services. It also provided a strong financial base to fund short term pressures but more importantly, develop services which were more sustainable in the longer term.

T Bell outlined the key results for the year in respect of the General Fund. Table 5.4 in the report showed the outturn position compared to the last financial monitor produced in February 2008.

The account showed an operational surplus of £1.638m, of which £849k related to the base budget and Appendix 1 in the report discussed the variations from the original budget. Material savings were from vacant posts, investment income, election expenses, slippage in revenue programmes and end of year adjustments. Material overspends from the original budget included replacement bins, fuel increases, the increased cost of the kerb it scheme, reduced income related to benefit overpayments, purchase of recycling bags and increased staff costs above the amount anticipated. Details were set out in the report.

With regard to General Fund reserves, Appendix 2 reconciled the final position to the 2007/2008 budget and showed how those results had affected the General

Fund balance, a slight reduction of £195k in the year to £3.964m. Appendix 3 included a table reflecting the creation and movement of specific reserves, together with descriptions and reasons for having the reserves. At the year end the Council had a balance of earmarked reserves of just under £11.248m. A significant part of the changes to the reserve position were as a result of the review of the Medium Term Financial Plan in December 2007. The Council approved the commitment of resources to meet regeneration and other initiatives in the medium term. This formed part of the Transitional Plan.

The report also outlined budget pressures facing the general fund budget in 2008/9 onwards, and in terms of capital financing, to mitigate risks in 2008/9, Members were asked to approve the transfer of the additional revenue surplus of £151k to the regeneration reserve. This in addition to LABGI grant of £680k would make an additional £831k available for capital financing if required, strengthening the Council's ability to meet future planned commitments.

To conclude, he stated that the General Fund was still fairly stable and the Council had adequate reserves in place to meet any uncertainties.

In terms of the Housing Revenue Account, he explained that at the end of February the HRA monitor was showing an operational surplus of around £939k for the 2007/2008 financial year. This increased by around £650k to £1.589m after year end adjustments but before taking additional budget support for East Durham Homes into account.

Table 6.3 in the report set out the background to the end of year position.

The operational surplus before the use of reserves could be accounted for through management and maintenance savings, (in the main accrued from Care Services), rent income increase due to an additional weeks rent compared to the previous year, a reduction in right to buys and efficiencies brought about by a reduced number and voids being turned around more quickly. In addition capital receipts less than £10k which could have been used for capital were not required and were brought into HRA reserves. The additional housing subsidy was in relation to rental constraint allowance which was payable to authorities in compensation for rent income lost as a result of the Government's capping limits. This claim was subject to examination by the Audit Commission. The claim was subject to examination by the Audit Commission. Improvements in rent collection performance had enabled the Council to reduce the bad debts provision.

With regard to HRA reserves, table 6.8 in the report tracked the movement in reserves for 2007/8. The overall position was fairly stable and the uncommitted balance of £2.063m was healthy and significantly higher than the position taken into account when the 2008/9 budget was determined. However there was a need to ensure that resources were working to achieve priorities which in terms of this account was to achieve the two stars necessary to bring in additional external investment of £117m to assist in the provision of decent homes.

In preparing the 2007/08 budget the Council was aware of the financial difficulties faced by EDH following its failure to achieve 2 stars in the last inspection in September 2006. Following consultation with the Company a number of issues emerged which were addressed in a report to Council in September 2007 which outlined the need to right-size the Company and address a budget gap of just under £2m. The Council also agreed to transfer the capital operations to a strategic partner and to subject the maintenance service to market testing without an 'in-house' bid.

At the time it was agreed to commit £2.075m of HRA reserves to facilitate the process and the 2007/8 budget difficulty was to be monitored throughout the year. In February 2008 the Executive approved up to £715k to address the budget gap and a further £100k to continue improvements in turning around void properties. Table 6.14 outlined the current position on these commitments.

Of the £700k which was transferred to the Company to bridge the gap only £358k had been required. Given that the Company would next be inspected in 8 months time Members were asked to consider allowing EDH to retain the unspent balance and to agree the programme of support outlined in Appendix 4. The programme amounting to £1.36m would be resourced from commitments already made (£1.06m) and the unused gap funding highlighted above.

Members were also asked to agree to release £300k of the surplus to the capital programme to clear the backlog of aids and adaptations, following confirmation from the Company that their strategic partner had the capacity to carry out further works in 2008/9.

To conclude, T Bell highlighted a number of issues facing the Council in the coming year. He advised that despite being faced with the local government review, the Council had continued to ensure that revenue accounts were stable and had set aside resources for the next three years which would allow the new Council to deliver its promises and commitments to its communities. The Council's approach to three year financial planning had also provided a useful audit trail. In terms of capital plans these would be the responsibility of the new Council from year two.

The Council had exceeded the government efficiency target for 2005-2008. After three years over £3.5m of efficiencies had been achieved against a target of £1.8m. The cashable amount over and above the target would be carried forward to meet the new Council's target 2008/9 to 2010/11.

The Head of Financial Management had met with the Department for Communities and Local Government (DCLG) to discuss proposals for the HRA in the new Council and an options paper was to be produced on this. It was important to ensure that meeting the decent homes target was a priority of the new Council.

Following discussion it was **RESOLVED** that:-

(a) the content of the report in relation to financial results for the year ended 31 March 2008, be noted;

(b) an additional £151k be transferred to the regeneration reserve as outlined in paragraph 5.13;

(c) East Durham Homes retain £357k of the unspent balance of funding transferred to support the 2007/8 budget, as outlined in paragraph 6.18;

(d) a package of support for East Durham Homes leading up to the next inspection valued at £1.36m as set out in paragraph 6.19 of the report, be agreed (of which 1m was already committed);

(e) a further £300k be committed to the capital programme for aids and adaptations as outlined in paragraph 6.22;

(f) the Council's Section 151 Officer be authorised to draw down approved funding as necessary in conjunction with the Chief Executive of East Durham Homes;

(g) the Director of Finance and Corporate Services and his team involved in the budget process and preparation of the Statement of Accounts be commended for their work.

CERTIFIED TRUE RECORD

DATE.................................

CHAIR.................................

JE/CB/com exe/080602
26 June 2008