

Report to: **Executive**
Date: **4 September 2007**
Report of: **Executive Member for Resources**
Subject: **General Fund/Housing Revenue - 2007/2008 Monitoring Statement**
Ward: **All**

1.0 Purpose of Report

1.1 To advise members on the financial position for the period 1st April 2007 to 30th June 2008.

2.0 Consultation

2.1 Consultation has taken place with the Director of Finance and Corporate Services and through the process, Budget Holders. The Management Team has considered the report.

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 2008.

4.0 Revised Forecast Position - General Fund

4.1 Appendix 1 shows the projected position on a directorate basis. Reasons for variations are contained in the footnotes.

4.2 Members are referred to appendix 1/1, which shows a general fund under-spend of £692,700 for the first quarter. (See Item B). The analysis below that figure indicates that just over £247,000 (Item C) was due to re-profiling 'use of reserves' initiatives with some elements of the programme being advanced and others delayed and of the remainder, £445,550 (Item D) is attributable to the 2007/8 base budget.

It is worth mentioning at this point that even though a significant element of expenditure is financed from specific reserves the costs must be included in the overall budget requirement. In monitoring the overall position we need to keep this in mind differentiating between the base budget and use of reserves.

4.3 In terms of the current base budget the material over/under-spends at this stage are as follows:

Under-spends/savings: -

- | | | |
|--------------------------------------------------------------------|-----------------|-----------|
| • Economic development (savings on vacant posts) | | £36,000 |
| • Regeneration – savings on vacant posts | £11,000 | |
| - re-profiled use of reserves | <u>£315,000</u> | £326,000= |
| = | | |
| • Democratic Services – Savings on vacant posts and election costs | £70,800 | |

4.4 The directorate budgets show an under-spend of just over £153,220 after adjusting for re-profiling the reserve initiatives. (Item A, £400,370 less Item C, £247,150).

4.5 In addition to the above the increase in interest rates and the improved position on balances at the end of March has seen investment income increase by £230,000. The under-spend has been increased further by an accounting adjustment of £81,000.

Variance against budget

- 4.6 In summary the base budget for the first quarter is showing a net overspend of £445,550, which equates to a variance of around 2.4% of the agreed budget.

Support Services

- 4.7 The support service information set out in Appendix 2 is presented slightly differently this year. The statement is split into 2 parts under headings 'use of specific reserves' and 'rechargeable to services.' The reason for the change is that where specific reserves are used to fund support services there will be no re-charge to front line services and therefore these service need to be shown separately.

- 4.8 The statement shows a potential overspend in terms of personnel services and members may recall a review of service level agreements undertaken by East Durham Homes where they decided to discontinue the agreement in respect of this service. This resulted in a reduction in income for the Council and excess capacity in the Personnel Section. The excess capacity has been met in the current year by work on the human resource strategy, which is funded from a specific reserve of £38,430. Although this leaves a deficit of £25,550 at this point in time it is expected that this will reduce by the year- end, as work is commissioned from other sources. However should there be a shortfall at the year-end then the difference would be met from the Support Service Reserve.

4.9 General Fund Balance

- 4.9.1 Appendix 3 illustrates the effects of the above on the reserve position. In considering the statement members are reminded that the revised forecast reflects the out-turn position for 2006/7 which took an account of the review of reserves. Within the statement members will see the transfer of earmarked reserves (Use of Reserves), which refers to programmes from the first release of reserves in November 2005.

- 4.9.3 The revised forecasted balance to the 31st March 2008 is £4.295m.

4.10 Use of Reserves – Approved - November 2005

- 4.10.1 Appendix 5 outlines the expenditure position at the end of June.

| | £ |
|--------------------------------------------|---------|
| Expenditure in 2005/6 and 2006/7 | 587,290 |
| Forecasted spend in the current year | 590,655 |
| Profiled to be spent in 2008/9 and 2009/10 | 558,800 |

- 4.10.2 In terms of non-financial information members will note the commentary in the right hand side column, which updates members on progress but also is beginning to reflect some of the outcomes from the investment.

- 4.10.3 The report is for information.

5.0 Housing Revenue Account (HRA)

- 5.1 To date a surplus of just over, £500K is forecasted to year-end when compared to the original budget. This equates to 2.8% of budget.

- 5.2 Expenditure for the first quarter is about on target there is however a variance in income projections.

- 5.3 Members will recall that when the budget was agreed there was some late information indicating that in the 2007/8 accounting year 53 weeks rent is receivable equating to around £400k. It was agreed that this be treated as 'windfall' as it would be for one year only. On examining income levels for the first quarter it is likely that a further £100k in rent will be receivable following a slow down in right to buys and improved debt recovery. This position is being stringently monitored to verify sustainability.
- 5.4 In conjunction with the account work is being carried out on the care services client base following transfer of this service back from East Durham Homes to the council and the new contract with Durham County Council. The position should be clarified for reporting by the end of September.
- 5.5 The forecasted reserve position to the end of March 2008 is around £3.25m including a minimum prudent level of reserve of £1m. This is a fairly strong position however there are some emerging issues, which will impact on the account and members will be shortly receiving further reports setting out the position in full.

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 2006/7 - Working Papers

Item no.

Budget Report - Council Extraordinary Meeting 25/02/2006 & 21/02/2007.
Report to District Council - Use of General Fund Reserves – 5/11/2005

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