

Report to: **Executive**
Date: **16 October 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 to 31st August 2007.

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 surplus of £830,069 for the period. (See Item B). The analysis below that figure indicates that just over £231,000 (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, £598,969 (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) £61,570
- Regeneration – re-profiled use of reserves £290,000=
- Democratic Services – Savings on vacant posts and election costs £75,800

4.4 The directorate budgets show an under-spend of just over £176,259 after adjusting for re-profiling the reserve initiatives. (Item A, £407,359 less Item C, £231,100). This compares to just over £153,000 at the end of the first quarter.

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 £444,820. Whilst the base rate has increased to 5.75% on occasions market opportunities have realised investment rates of over 6.5%, which is significantly higher than base.

Variance against budget

- 4.6 In summary the base budget for the period is showing a net surplus of £598,969, equating to a variance of just over 3% of the agreed budget. This will be slightly reduced in future as costs of the local government review feed in. The variance on directorate budgets equates to just under 1%.

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 the difference would be met from the Support Service Reserve.

4.9 General Fund Balance/Reserve

- 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 also took 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.
- 4.9.2 The revised forecasted balance to the 31st March 2008 is £4.448m.
- 4.9.3 The Management Team is currently reviewing the reserve position and the Director of Finance and Corporate Services will present a report in due course.

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 period is about on target and there is a positive upward trend in income projections although they need closer scrutiny in the half-year review.
- 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 above work is continuing 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. This position should be clearer by the end of September.

- 5.5 The forecasted reserve position to the end of March 2008 is around £3.25m to £3.4m subject to subsidy claims being audited. This includes a minimum prudent level of reserve of £800k.
- 5.6 The reserve position is fairly strong however recent developments following the review of the maintenance service at East Durham Homes will need factoring into the account as costs firm up. The Executive Committee will be kept informed of the position through the monthly monitoring statements.

6.0 Other Matters

2008/9 Budget Cycle

- 6.1 The capital and revenue budget process for 2008/9 is now well underway and over the coming weeks consideration will need to be given to the following in a series of reports: -
- The half-year review of the medium term financial plan 2007/8 to 2009/10.
 - The budget framework
 - Future medium term capital and revenue plans including the implications for East Durham Homes.
 - Additional resource requirements in terms of base budget and reserve requirements.
 - The impact of the Comprehensive Spending Review to be announced shortly by the government. The review sets out the government's spending plans for the next 3 years and will include the 2008/9 grant settlement & efficiency targets for local government.

Concessionary Fares

- 6.2 The introduction of the new national fares scheme from April next year is a key feature in the 2008/9 grant settlement.
- 6.3 Nationally there is a lot of consternation across District Councils regarding this subject as many are experiencing significant cost pressures as a result of the changes introduced in 2007. Members may recall that the 2007 changes were reflected in formula grant and this led to winners and losers within the grant system, at Easington we helped broker an agreement across the County resulting in a good scheme for the communities. Some authorities did not pool and have schemes in place which do not allow travel outside boundaries, clearly when the scheme is widened significant costs are likely to fall on those authorities particularly if formula grant was used on other services.
- 6.4 Much discussion has been around funding the revised scheme and whether to pay through formula or specific grant. Local government has contended that this is a national scheme and the government should bear the risks and reimburse the full costs of the scheme. The government of course disagree with this approach stating that they are putting an additional £212m into the scheme and that should be enough. Clearly this is not satisfactory as experience shows that transport costs are increasing at a significantly higher rate than general inflation bringing into doubt the sustainability of the scheme particularly as local authorities are likely to face general grant reduction. At Easington around 40% of our grant uplift in 2007/8 was used on the increased costs of the scheme.
- 6.5 As a compromise the government has announced that the additional money to implement the new scheme (£212m) will be paid by Special Grant and they are to

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consult as to the distribution of the grant shortly. Although at the time of writing the report no detail was available it is perceived that as with formula grant, special grants can be spent as Council's see fit. It is probably similar to planning delivery grant albeit we spend that on improving the planning service. Whilst this might be seen by some as a compromise by the government sceptics might say that distributing grant in this way allows the government at a stroke to withdraw and redistribute it in future. This would be much simpler than disaggregating formula grant.

6.6 Clearly the lack of progress on funding at this point in time is unsatisfactory given decisions need to be taken on budgets, the discretionary elements of the scheme, agreement of costs with other Districts and pending negotiations with Bus Operators.

6.7 In terms of the operational aspects the project is broadly on target, unfortunately new passes will be required next year but we will roll out publicity over the period leading up to the implementation date.

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 2006/7 - Working Papers
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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