

Report to: **Executive**
Date: **18 December 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 October 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 £1.422m for the period. (See Item B). The analysis below that figure indicates that: -

- £487,400 (Item C) was due to re-profiling 'use of reserves' initiatives. with some elements of the programme being advanced and others delayed.
- A further £303,450 (Item D) of the under-spend refers to revenue support to the Capital Programme.
- £632,000 (Item E) is attributable to the 2007/8 base budget the reasons being explained below. This has increased by just over £30,000 since the last report.

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.

Use of Reserves Initiatives - £1.5m (Item C)

- 4.3 This element of the under-spend refers to the programme of projects where approval was given to use £1.5m of reserves in November 2005. The initiatives were profiled over 3 years 2008/9 being the final year. The under-spend is due to schemes being re-profiled or carried forward to 2008/9.

Further details of the progress of the initiatives are included in Appendix 5 of the report where it can be seen that the vast majority of the funding will be spent by March 2009. The position will continue to be monitored.

Revenue Support to the Capital Programme (Item D)

- 4.4 When the capital programme is considered each year a number of initiatives are identified to support the programme where expenditure is of a revenue nature. An example could be the cost relating to a study to determine whether it is feasible to develop and progress a capital scheme. Revenue expenditures of this nature are therefore included in the annual budget and medium term plan.
- 4.5 However members will be aware, particularly where activity is linked to regeneration schemes which lever in external funding, that timescales have to be flexible to ensure resources are in place before expenditure is incurred.
- 4.6 Item D in the report refers to budgets of the nature described above which are likely to be incurred in future years. It is important to note that the finance is secured.

Base Budget 2007/8

- 4.7 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) | £87,050 |
| • Increase in investment income | £395,000= |
| • Democratic Services – Savings on vacant posts and election costs | £85,800 |

- 4.8 The increase in interest rates and the improved position on balances at the end of March has seen investment income increase by £395,000. 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.
- 4.9 The directorate budgets show an under-spend of just over £264,430 after adjusting for re-profiling the reserve initiatives.

Item A	£1,055,280
Less: Item C	£487,400
Less: Item D	£303,450
	<u>£264,430</u>

This compares to just over £176,000 at the end of the first quarter.

Variance against budget

- 4.10 In summary the base budget for the period is showing a net surplus of £632,000, 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 around 1.6%.

Support Services

- 4.11 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.

- 4.12 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 £26,000 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.
- 4.13 The lower part of the statement is showing a potential under-spend of £58,360 a large proportion of which, relates to the insurance function of democratic services. (£31,760) This arose following a reduction in recharges to East Durham Homes when they assumed responsibility for arranging and negotiating their insurance. Although this position could be mitigated by the end of the financial year should the position remain unchanged then the shortfall will be met from the Insurance Fund.

5.0 General Fund Balance/Reserve

- 5.1 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.
- 5.2 The revised forecasted balance to the 31st March 2008 is £4.246m.
- 5.3 The Council will shortly be considering a report reflecting a review of its corporate priorities including use of reserves.

6.0 Housing Revenue Account (HRA)

- 6.1 To date a surplus of £797K is forecasted to the year-end when compared to the original budget. This equates to 4.4% of budget. However 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 over the last 7 months it is likely that a further £300k 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.
- 6.2 An analysis of the main under-spend/efficiency savings is set out below and the position will continue to be monitored to ensure they will be sustained until the year-end.
- Increased income from warden services. (£40k)
 - In addition to the ‘windfall rent income’ revenue has steadily increased over the year, which could be due to reductions in right to buy sales. (£700k)
- 6.3 The reserve position projected to the end of March 2008 is estimated at £1.538m after taking account of the use of £2m of reserves agreed by Council last September. The first stage of the rightsizing review has cost £1.4m, the second stage is currently being considered.

- 6.4 The current deficit position within East Durham Homes is being considered in the 2008/9-budget process and the surplus in the current year will assist that process.

7.0 Other Matters

2008/9 Budget Cycle

- 7.1 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 which outlines the proposals for next year.
 - 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 2008 Finance Settlement, the key issues of which will be circulated separately. The Finance Settlement determines the Council's formula grant position.

Concessionary Fares

- 7.2 The government has announced that the additional money to implement the new scheme (£212m) will be paid by Special Grant; the detail of this distribution will follow the Finance Settlement. The consultation process indicated that grant to the Durham Districts should be within the range of £1.5m to £1.95m.

8.0 Implications

8.1 Policy

None

8.2 Financial

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

8.3 Legal

None

8.4 Risk

None, existing systems are controlling the overall budget position.

8.5 Communications

None

8.6 Corporate Implications

None

8.7 E Government

None

8.8 Procurement

None.

8.9 **Equality and Diversity**
None

9.0 Recommendation

9.1 The Committee is asked to note the position.

Background Papers

Budget/Cost tabulations - Financial Management System – 2007/8.
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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