

Report to: **Executive**  
Date: **14 October 2008**  
Report of: **Executive Member for Resources**  
Subject: **General Fund/Housing Revenue - 2008/2009 Monitoring Statement**  
Ward: **All**

## **1.0 Purpose of Report**

1.1 To advise members on the financial position for the period 1<sup>st</sup> April 2008 to 31<sup>st</sup> August 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 31<sup>st</sup> August 2008.

## **4.0 Revised Forecast Position - General Fund**

4.1 Appendix 1 shows the projected position on a directorate basis. The variances against budget are contained in the footnotes.

4.2 Members are referred to appendix 1/1, which shows a general fund under-spend of £226,180 (1.15% of budget requirement) for the period. (Item B), Subject to variations the budget is broadly on-line. The under-spend has increased by just over £120k since the first quarter and this is primarily as a result of further increases in savings from vacant posts together with a slight improvement on the benefit over-payment position.

4.3 At this stage the material over and under spends are as follows:

<b>Under-spends/Savings/Increased Income to 31<sup>st</sup> August 2008</b>	<b>£k</b>
*Savings from vacant posts – Regeneration and Development	350
*Savings from salaries and wages – other directorates	70
Increased investment income	197
Reduced borrowing costs	63
Savings on insurance premiums as a result of LGR	250
Use of Reserves Saving – Personnel & Payroll	45
Planning Delivery Grant - Windfall not transferred to specific reserve	126
<b>Over-spends/reduced income to 30<sup>th</sup> June 2008</b>	<b>£k</b>
Environmental services – Increased cost of Fuel	90
Reduction in benefit overpayment income	285
*Vacancy Factor offset by savings on vacant posts	500

\*It should be noted that savings of £500k, around 3% of payroll, were factored into the 2008/9 budget in respect of vacant posts and that target is expected to be met by the end of September 2008.

4.4 The detailed analysis of material *under-spends* is as follows:

- **Savings from vacant posts** are factored in the budget year on year and whilst it is expected that the target of £500k will be met shortly it signals capacity problems which given local government review are difficult to address. At this stage the Management Team & Heads of Service are monitoring the position and identifying backfilling options where appropriate.
- **Increased investment income** has increased due to higher reserves at financial year end and grants being received earlier than anticipated.
- **Reduced borrowing costs** are due to the 2007/8 capital programme being financed without the need to borrow funds.
- **Savings on insurance premiums** have occurred due to the annual renewal date falling mid-year, the new Council being responsible from April 2009.
- **Use of Reserves** – Reserve no longer required. This item relates to the business administration apprentice scheme which has been mainstreamed.
- **Planning Delivery Grant** – this grant is being treated as windfall income in the current year.

4.5 In terms of in year budget pressures a number of issues are emerging.

- Fuel Costs arising from global pressures on the demand for oil which are impacting on the prices for petrol and oil at the pumps.
- The recovery of benefit overpayments, the detail of which was described in the report to the end of June 2008. The position seems to have stabilised the estimate for the end of this month improving by £15k to £285k. This will continue to be monitored stringently.
- The other area of concern is potential reductions in income to the Council. Whilst the overall budget position is showing a reasonable surplus it is likely that the significant level of vacancies is potentially masking falls in income. We intend to carry out an assessment of the income position when we carry out a mid-term review at the end of September.

#### *Support Services*

4.6 The support service information in Appendix 2 is divided into 2 parts the upper section relating to services supported by specific reserves where there will be no re-charge to front line services, these therefore need to be considered separately. The under-spend of £45k relates to one off funding for the business administration apprenticeship scheme, which has been mainstreamed and therefore is no longer required. This position has not changed since the last report.

4.7 The lower section in the table refers to those elements of the services which are recharged to services and this element is showing an under-spend of just over £175,000, an increase of £28,000 since the last report. Again the under-spends are mainly attributable to vacant posts and managers are monitoring the position in terms of capacity.

4.8 General Fund Balance

4.8.1 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 2007/8 which

took an account of the review of reserves. Within the statement members will see the transfers of earmarked reserves to fund specific items and the transitional plan.

4.8.2 The revised forecasted balance to the 31<sup>st</sup> March 2009 is £3.6m. Members will be aware that the Council's budget was subject to a consent process where the estimated year end position was £3.374m.

4.8.3 The mid-term review should firm up the position on balances generally and as in previous years we will examine the position in relation to our reserves & balances.

## **5.0 Housing Revenue Account (HRA)**

5.1 At the end of the 1<sup>st</sup> quarter a surplus of just over, £300K was forecasted to year-end and this has increased to around £500k, around 2.6% of the overall budget.

5.2 The surplus is attributable to increased rent income of £500k mainly due to a fall in right to buy sales and I expect this to increase to around £700k by the year end.

5.3 The forecasted reserve position to the end of March 2009 is around £1.91m against a budget position of £1.25m. Again the HRA and the reserve position will be reviewed at the half year stage in conjunction with the general fund and the capital account.

## **6.0 Capital Programmes 2008/9 to 2010/11**

6.1 Although the overall programme will be reviewed at the end of September it is becoming increasingly clear that expected capital receipts from land and property disposals certainly for 2008/9 are unlikely to materialise in the current year. The position is currently being reviewed in terms of the current year spend and indeed the impact on future years where we will need to liaise on the budgetary aspects for the new Council and we will take account of the issues in the half year review.

6.2 However members will recall that we aside specific reserves in anticipation of this problem and this can be either used as revenue funding or perhaps as a means of financing prudential borrowing until the market eases. As part of the mid year review we will have the option to re-assess the overall reserve position and reinforce the capital position.

## **7.0 Local Government Review**

7.1 The Council is continuing to work with officers from the County Council to bring together the 2009/10 budget for the new Authority. This required us to notify them of savings likely to accrue as a result of the local government restructuring together with identified cost pressures and income reductions including those impacting on capital programmes.

7.2 In terms of capital we have submitted the Council's capital commitments for the next 2 years which broadly represents those approved by the Council when the budget was set last February. The submission included a summary of the process adopted by the council and the problems being posed by the slow down of capital receipts, which is affecting all Councils, together with proposals to mitigate the impact on schemes in the programme.

## **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 Local Government Review**

Issues affecting the review are outlined in paragraph 8 of the report.

### **8.5 Risk**

The risks are being managed by the assessment prepared in respect of the medium term financial plan.

### **8.6 Communications**

None

## **Corporate Implications**

### **8.7 Corporate Plan and Priorities**

The budget plans of the Council supports the high level priorities as outlined in the corporate and transitional plans and the monitoring information at the end of August confirms that position.

### **8.8 Equality and Diversity**

None

### **8.9 E Government**

None

### **8.10 Procurement**

None.

## **9.0 Recommendation**

9.1 The Committee is asked to note the position.

### **Background Papers**

Budgetary & Cost tabulations prepared from the Financial Management System.

Statements from Budget Holders

Final Accounts Information 2007/8 - Working Papers

Budget Reports - Council Extraordinary Meeting 21/02/2007 and 22/02/2008.

Report to District Council – Review of the Medium Term Financial Position - 2008/9 to 2010/11. 20<sup>th</sup> December 2007.

Report to Executive 2<sup>nd</sup> September 2008 – General Fund/HRA Monitor and other financial issues.

THBbudmonaug2008