

Report to: **Executive**
Date: **13 January 2009**
Report of: **Executive Member for Resources**
Subject: **General Fund/Housing Revenue/Capital Finance - 2008/2009 Monitoring Statement**
Ward: **All**

1.0 Purpose of Report

1.1 To advise members on the financial position for the period 1 April 2008 to 30 November 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 been provided with 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 30th November 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 £157,905 (0.8% of the budget requirement) for the period. (Item B). Subject to the variations the budget is broadly on-line. The under-spend has decreased by around £150k since the last report. Directorate savings amount to £64,715 (Item A).

The changes since the last report are as follows:

Additional Savings

- Transfer of material under-spends in respect of support services. (£108k).
- Savings from the Democratic Services Unit. (£50k).

Additional cost pressures since last report

- Cost increase from replacement bins (£20k).
- Further reductions in Planning, Building control and Land charges income. (£70k).
- Concessionary Fares where grant to cover implementation costs in the current year was inadvertently transferred to reserves in 2007/8 causing one off pressure. (£80k).

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- Reduction in forecasted investment income following recent falls in interest base rates. (£140k).

4.3 Taking account of the above the following table broadly outlines the material over and under spends at the end of November 2008.

Under-spends/Savings/Increased Income to 30th November 2008	£k
*Estimated savings from vacant posts - Regeneration and Development	425
*Estimated savings from salaries and wages - other directorates	206
*Vacancy Factor offset by savings on vacant posts	(500)
Reduced borrowing costs	103
Savings on insurance premiums as a result of LGR	250
Use of Reserves Saving - Personnel & Payroll	45
Transfer of material under-spend from Support Services	192
Planning Delivery Grant - Windfall not transferred to specific reserve	126
Democratic Services - General	50
Over-spends/reduced income to 30th November 2008	£k
Reduction in benefit overpayment income	296
Reduction in Income - Planning/Building Control/Land charges	260
Concessionary Fares	180
Environmental Services	20

*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 into the budget year on year and the provision has been exceeded, unfortunately the situation 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.
- **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.
- **Support Service Reserve** - It is practice to transfer material under-spends on individual support services to the benefit of services, which at this stage is the general fund account.
- **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 for the Council.

- **Fuel Costs**, recent high prices of fuel and oil have impacted on transport budgets. (£90k). These costs are offset by other savings in the account.

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- **The recovery of benefit overpayments**, the detail of which was described in the report at the end of June 2008. The position seems to have stabilised with the estimate for the end of this month standing at £296k. The position will continue to be monitored. .
- **Income from planning fees, building control fees and land charges** has reduced by around £260k. The loss is mainly due to reduced activity in the housing market and the economic downturn coupled with some evidence of falling application numbers. In terms of the budget the falls in income are being masked by savings in vacant posts and planning delivery grant.
- **Concessionary Fares** – as the year is unfolding it is becoming clear that the demand for concessionary fares has increased over and above that anticipated when contracts were agreed in the latter part of the last financial year and this is being reflected in the invoices received in September. At this point the estimated year end forecast is showing a potential overspend of around £100k because of rising demand. In addition to this implementation costs of the scheme valued at £80k are not supported by the appropriate grant as it was taken as a saving in 2007/8.

4.6 The cost pressures have been notified to Durham County Council as part of the 2009/10 budget process.

Support Services

4.7 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.

4.8 Given local government review the Director of Finance and Corporate Services has taken the decision to transfer material surpluses arising from support services to the general fund. To date this has amounted to just under £237k.

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 2007/8 which took into 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.

4.9.2 The revised forecasted balance to the 31st March 2009 is £3.53m. Members will be aware that the Council's budget was subject to a consent process where the estimated year end position was £3.374m.

5.0 Housing Revenue Account (HRA)

5.1 At the end of November the account showed a surplus of £691k. The majority of the surplus was due to increased income from rents, around £650k, coupled with savings from management and maintenance (£43k) and slight increases in subsidy and interest. The savings equate to around 3.6% of the budget.

5.2 The increase in rent income is mainly attributable to a fall in right to buy sales and the position will be monitored as the year progresses.

5.3 The forecasted reserve position to the end of March 2009 is just under £1.5m against a budget position of £1.25m. The forecasted HRA reserve position reflects the decision taken by Executive on the 25th November to utilise surpluses to fund pressures on the capital programme.

6.0 Capital Programmes 2008/9 to 2010/11

6.1 The capital programme is progressing and a review of the 3rd quarter will be reported at the next meeting.

6.2 The Council's capital investment plan for 2009/10 and 2010/11 plan has been forwarded to the County Council as part of the 2009/10 budget process but to date we have no details of how this is to proceed.

7.0 Economic Downturn

7.1 Comparing budget monitors from previous years there is no doubt that despite high levels of savings from staff vacancies a number of budget issues have and are emerging from the downturn.

7.2 Whilst the concessionary fares and benefit overpayment has impacted significantly on this years budgets the following pressures have emerged as a direct result of the downturn.

- The decline in the housing market has reduced the level of property and land sales reducing revenue investment opportunities and requiring elements of the capital programme to be financed from revenue. Although the government has brought forward capital investment from future years there is no new money and inevitably there will be an impact on future regeneration and housing programmes probably across the region.
- General price Inflation (peaked at around 5%) and the increased costs of concessionary fares exposed government assumptions when they set the level of revenue grant for 2008/9. The cost of fuel in the summer increased operating costs significantly.
- Fees from planning, building control and searches are likely to be around £260k less than estimated.
- We are seeing increases in the demand for benefit; whilst some of that is as a result of benefit take up we are assessing the impact of the downturn. The government has indicated they will increase administration grant to tackle the increased demand.

7.3 In terms of the Council's position:

- We are still in balance for the current year.
- Salary and wage increases are likely to be well below inflation.
- We have reviewed the capital programme reducing the reliance on income from property and land sales.
- We are working with agencies in continuing to increase benefit take up.
- We are working with the East Durham Business Service to identify businesses which may need advice regarding business rates.
- Reserves are still robust.
- We are aware of potential impacts on the demand for services such as housing generally, homelessness and recycling.

7.4 In terms of the future outlook:

- Although inflation is falling the economy has moved into recession and the outlook for 2009/10 is poor.
- The government is bringing financial packages forward the majority of which will impact from 2009/10 however this is unlikely to prevent a reduction in future capital programmes in the short term.
- Although District settlements over the next 3 years were poor (1%) the general revenue settlement for all authorities is due to increase at around 4% which should be higher than the rate of inflation. This will not of course address increases in the demand for services such as housing, benefits and care for the elderly.
- Whilst falls in interest rates will reduce the investment income in contrast the cost of borrowing will fall.
- Councils generally are faced with finding more efficiencies, proving value for money and transforming the way in which services are delivered.

8.0 Local Government Review

8.1 Officers are assisting in the formulation of the 2009/10 budget for the new Unitary Council. As part of the process they have informed them of financial issues/pressures emanating from the current year.

8.2 In terms of capital the Council's commitments for the next 2 years have been re-submitted broadly representing those approved by the Council when the budget was set last February. The submission included a summary of the process adopted by the council, 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.

9.0 Implications

9.1 **Policy**
None

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

9.3 **Legal**
None

9.4 **Local Government Review**
Issues affecting the review are outlined in paragraph 8 of the report.

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

9.6 **Communications**

None

Corporate Implications

9.7 Corporate Plan and Priorities

The budget plans of the Council supports the high level priorities as outlined in the corporate and transitional plans of the Council.

9.8 Equality and Diversity

None

9.9 E Government

None

9.10 Procurement

None.

10.0 Recommendations

10.1 To note the monitoring position as outlined above.

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. 20th December 2007.

Report to Executive 2nd September 2008/14th October2008 & 25th November 2008. – General Fund/HRA Monitor and other financial issues.

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