






Report of: Financial & Asset Management Business Managers

To: Executive Board


Date: 18th December 2006

Item No:

**Title of Report : Second Quarter Revenue and Capital Budget
Monitoring 2006-07**


Summary and Recommendations




Purpose of report: To provide Members with information of the Council's overall financial position as at 30th September 2006 and the latest forecast full year financial position for 2006-07.


Key decision: No



Portfolio Holder: Councillor Stephen Tall

Scrutiny Responsibility: Finance



Ward(s) affected: All

Report Approved by:

Councillor Stephen Tall
Mark Luntley – Strategic Director, Finance & Corporate Services

Amy Thomas - Head of Legal & Democratic Services


Policy Framework: Financial Stability


Recommendation(s):

That Members note the position with particular consideration of potential impacts on the 2007-08 budget.

2. Members note the Directorate action plans to reduce the forecast overspend in 2006-07.



Introduction

1. This report reviews the position at the half year for the General Fund, Housing Revenue Account (HRA) and Capital Programme.
2. Key financial Information is attached in the following appendices:

Appendix

- 1 General Fund revenue monitoring summary 2006-07 and forecast at 30 September 2006 (updated for action proposed).
- 2 Directorate proposals to reduce forecast overspend
- 3 HRA revenue monitoring summary 2006-07 and forecast at 30 September 2006
- 4 Projected balances (updated for action proposed)
- 5 Progress against General Fund savings targets at 30 September 2006
- 6 Capital Programme monitoring summary 2006-07 at 30 September 2006 and General Fund capital funding
- 7 HRA Capital Funding summary

General Fund Revenue Monitoring

3. The General Fund is underspent by £1.8 million at the end of the second quarter but an overspend of £0.8 million had been forecast for the full year from Business Managers' estimates.
4. The Leader and Portfolio Holder for Better Finances instructed Strategic Directors to further review the half year position and provide action plans to tackle their forecast overspends by 27th November. An update was provided to Finance Scrutiny Committee at the meeting on 30th November. This report summarises the financial projection as at 27th November 2008.
5. £160k has been included in the forecast within the Chief Executive's unit to cover two specific areas of expenditure: £100k for recruitment to and cover for the Chief Executive's post; and £60k to fund preliminary work for the case for Unitary status. Earlier this year £756k remaining from two provisions was returned to balances and it is proposed to use £60k of this to fund this work (approved Council 20th November 2006).
6. Detailed comments from Business Managers on the reasons for variances are shown on the attached monitoring pages. These comments were made ahead of the review of the half year position and the Directorate action plans. Each Directorate was tasked with bringing its overall forecast back to budget and schedules showing areas that Directors are targeting are attached at Appendix 2.

7. The outcomes from Strategic Directors' review of the full year forecasts for their Directorates are attached. The overall impact is to leave a forecast position of a £137k overspend for the Council.

This is made up of:	£k
Net overspend from 3 Directorates	17
Community Housing overspend (temporary accommodation leases) treated as corporate as in 2007-08 budget	100
Chief Executive: Forecast overspend	30
Chief Executive recruitment	100
Unitary status work	60
Interest forecast	<u>(170)</u>
	<u>137</u>

8. The savings identified by Directors & Business Managers will be reviewed monthly. It is important to note that the savings areas are areas to be targeted in the period between now and year end. The actual pattern of expenditure and saving may therefore differ from that proposed as Managers respond to service needs. Executive Board has therefore not been asked to specifically approve the saving areas as Managers will require flexibility as to where these savings are achieved.

9. The forecast overspends in paragraphs 5 & 7 above are offset by forecast increased interest income of £170k (shown under Appropriations), reflecting the two recent increases in base rate.

10. In budget presentations we have highlighted two areas of risk with potentially major financial impact:

- the risk that additional costs will be incurred on Concessionary Fares should the bus companies' appeal against the proposed permanent reimbursement scheme succeed – estimated at an additional; £600k in both 2006-07 and 2007-08.
- The risk that the cost of single status (job evaluation) will exceed the current budget provision.

These factors in particular underline the importance of not depleting balances in the current financial year.

11. Projected balances are shown in Appendix 4. On the basis that the full year position for 2006-07 is held as shown in the attached tables, balances will be approximately £4.1m. This gives the authority the capacity to cover the possible £600k concessionary fare additional cost in 2006/7, and to either increase General Fund balances to £3.5 million

or to hold specific reserves against the most likely and significant budget risks.

Progress against savings targets

12. Comments on progress are in Appendix 5. The main areas where savings have not been fully achieved and are therefore budget pressures for 2007-08 are as follows:

Saving	Directorate	2007-08	Budget Impact
Revenues & Benefits efficiencies	Finance & Corporate Services	100	£55k met through Collection Fund surplus
Customer contact in different ways	Housing, Health & Community	52	Directorate Pressure
Savings at Park and Ride	Physical Environment	170	Directorate Pressure, some compensating savings identified and included in 07/08 savings plans
Rationalisation of Office Accommodation	-	250	Corporate Pressure

Housing Revenue Account Revenue Monitoring

13. The Housing Revenue Account's overall forecast financial position is unchanged from the first quarter, with the deficit £112k greater than budget due to the unbudgeted rent increase for Southfield Park.
14. Income and expenditure lines have been reforecast in detail and are shown in Appendix 3.

Capital Programme

General Fund

15. The General Fund capital programme has been reviewed and expenditure for the year is now estimated at £10.4m, £0.4m lower than reported at the end of the first quarter through slippage.

16. This still leaves a funding gap of £0.3m for 2006-07 and officers will be undertaking a further review of potential slippage in order to balance this year's programme. Prioritisation of new schemes will be undertaken as part of the budget process for 2007-08 onwards.

Housing Revenue Account

17. The HRA capital programme for 2006-07 has been reforecast and is now estimated at £11.4m. £1.2m has been rescheduled for 2007-08. Some works to Tower Blocks are subject to further assessment of costs and also lower expenditure on sheltered blocks is forecast pending review.

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Background papers: September Red Book

