

Report of: Financial & Asset Management Business Managers

To: Executive Board and Finance Scrutiny Committee

Date: 19th February 2007 and 21st February 2007 **Item No:**

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



Summary and Recommendations



Purpose of report: To provide Members with information on the Council's overall financial position as at the 31st December 2006 and the latest forecast 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, Better Finances

Jeremy Thomas, Head of Legal and Democratic Services



Mark Luntley, Strategic Director, Finance and Corporate Services



Policy Framework: Financial Stability



Recommendation(s): Executive Board to:

1. Approve the two variances set out in paragraphs 5 to 6 and their funding from balances.



2. Approve the transfer of the £50k Environmental Health loft insulation budget from revenue to capital as set out in paragraph 8.



3. Approve the expenditure for Temple Cowley pool in the General Fund Capital Programme as set out in paragraph 20.



4. Note the overall position and potential impacts on the 2007-08 budget.

Introduction

1. This report reviews the position at the third quarter 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 31st December 2006.
2. General Fund Forecast Analysis from Quarter 2 to Quarter 3.
3. HRA revenue monitoring summary 2006-07 and forecast at 31st December 2006.
4. Projected balances.
5. Capital Programme monitoring summary 2006-07 at 31st December 2006.
6. HRA Capital Funding summary

General Fund Revenue Monitoring

3. General Fund net expenditure is now forecast to be below budget for the full year.
4. The overall forecast variance is £78k favourable – net Business Units and Corporate operating variances £28k favourable plus two specific variances which have been taken into account in the projection of balances that underpins the 2007-08 budget
5. These variances are:
 - a) Human Resources – Latest estimates predict that £300k from the Job Evaluation budget will not be required in 2006-07. Approval is sought to return this variance to balances.
 - b) Appropriations – changes to capital financing as agreed by the District Auditor reduce the interest charged to the HRA by £250k.
6. Executive Board is asked to approve these variances totalling a net underspend of £50k and their funding from balances.
7. Excluding these specific variances to be funded from balances, the overall General Fund year end projection is £165k favourable to the half year forecast as shown in Appendix 2.
8. The budget for 2007-08 includes as a saving the transfer of a loft insulation budget within Environmental Health from revenue to capital. This was a new budget granted from 2006-07 onwards. The budget for 2006-07 is £50k and Executive Board is asked to approve the transfer of this budget from revenue to capital, consistent with its treatment

from 2007-08. This is included within the forecast underspend for Environmental Health.

9. Changes to the base forecast year end position from Quarter 2 to Quarter 3 are shown in Appendix 2. Significant movements are;

Adverse:

- a) Leisure & Culture – £150k overspend at Quarter 2 to £232k overspend at Quarter 3.

Forecast income is lower than expected at the half year, notably for Barton and Temple Cowley pools. This shortfall cannot fully be offset by reduced expenditure.

- b) Planning – On budget at Quarter 2 to £100k overspend at Quarter 3.

Income is not expected to achieve budget for the final quarter of the year, and additional costs have been incurred including from adverse planning decisions.

Favourable:

- a) Corporate & Democratic Core – Officers have identified £65k of budgets that are no longer required this financial year.
- a) Local Cost of Benefits – £220k underspend at Quarter 2 to £450k overspend at Quarter 3.

This is a difficult cost to predict with precision and this must be borne in mind when considering the forecast. The latest year end projection is based on the assumption that collection rates remain at 53% for the collection of the current year debit. It is the middle of a range of estimates, assuming that we stay within the current thresholds of Local Authority error, entitling us to 40% subsidy on Local Authority error overpayments.

Housing Revenue Account Revenue Monitoring

10. The Housing Revenue Account's overall forecast financial position is shown in Appendix 3. At the second quarter the deficit was £112k greater than budget due to the unbudgeted rent increase for Southfield Park.
11. Income and expenditure lines have been reforecast in detail and are shown in Appendix 3.

12. Work has been undertaken on housing subsidy payable to Government. A review of the capital financing requirement element of the subsidy calculation has resulted in a reduction in the forecast subsidy payable, (£275k) and lower interest charge to the HRA, (£250k). As a result, the expected year end position will be a surplus of £215k.
13. As the HRA has no provision for Single Status (Equal Pay) in the current year, it is proposed that the surplus of £215k is moved to a provision. The HRA is therefore reporting no variation in 2006-07.

Projected Balances

14. Projected balances reflecting the Quarter 3 year-end forecast for 2006-07 are shown at Appendix 4. On this basis General Fund balances can be maintained above the minimum £3 million for 2007-10.

General Fund Capital Programme

15. At the end of the third quarter the General Fund capital programme had spent 50% of the current estimate of £8.3 million, amounting to £4.1million.
16. The General Fund capital programme underwent a detailed review before Christmas. Each of the responsible officers was contacted to obtain the latest position of the project.
17. As part of the review, six completed schemes were identified

Code	Project Name	Business Unit
G3007	Wood Farm Youth Club	Area Co-Ordinators
G4004	Credit Union Offices – Cowley Community Centre	Area Co-Ordinators
G5004	Ferry Community Centre Kitchen	Area Co-Ordinators
G5008	Cotteslowe Community Centre Kitchen	Area Co-Ordinators
Z1014	Blackbird Leys Bowls and Football Club	Area Co-Ordinators
T2263	Vehicle Wash Unit Replacement	City Works

18. These schemes will now be removed from the capital programme. It is proposed that in the future completed schemes will be reported & removed from the programme on a quarterly basis.
20. Included in the capital programme for 2006-07 under code Z8003 is £65k for Temple Cowley pool plant and maintenance. Essential works to replace boilers has had to be carried out. Although verbal sanction

was obtained at the time, Executive Board is now asked to formally approve the expenditure.

21. On 29th January 2007, Executive Board approved the deletion of five projects from the capital programme totalling £830k in 2006-07 and £400k in 2007-08. The summary programme shown in Appendix 5 does not include these changes.

HRA Capital Programme

22. The HRA capital programme for 2006-07 has been reforecast and is now estimated at £11.4m. £1.2m has been rescheduled for future years following a review of the whole capital programme.

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Background papers: Executive Board November 2006 and 29th January 2007

