

**REPORT TO** Cabinet Member Resources

**DATE:** 20 December 2006

**REPORTING OFFICER:** Head of Financial Management  
(*Val Hunter*)

**SUBJECT:** **DRAFT GENERAL FUND BUDGET 2007/2008 –  
FINANCIAL MANAGEMENT BUSINESS UNIT**

**WARD/S AFFECTED:** None

**FORWARD PLAN REF:** None

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**1.0 PURPOSE OF REPORT**

1.1 To provide the Cabinet Member with financial information for the Financial Management Business Unit including the Asset Management Revenue Account:

- Revised estimates for 2006/2007
- Draft revenue estimates for 2007/2008
- Projections for 2008/2009 and 2009/2010

**2.0 RECOMMENDATIONS**

2.1 That the revised estimates for 2006/2007 are noted.

2.2 That the draft estimates for 2007/2008 are recommended to Cabinet.

2.3 That the projections for 2008/2009 and 2009/2010 are noted.

2.4 That the efficiency savings set out in **Appendix 2** are noted.

**3.0 ALTERNATIVE OPTION CONSIDERED AND RECOMMENDED FOR REJECTION**

3.1 None. It is a required of the Council's Financial Procedure Rules for a budget to be recommended to the Cabinet Member and Cabinet.

#### **4.0 THE FINANCIAL MANAGEMENT BUSINESS UNIT**

- 4.1 The Financial Management Business Unit consists of a number of General Fund budgets (details of which are set on page G1 of **Appendix 1**) together with the Support Service budgets for Accountancy and Internal Audit. The latter are recharged in full to other services across all departments.
- 4.2 The Financial Management Business Unit also includes the budget for the Asset Management Revenue Account. This account, which is maintained in accordance with CIPFA capital accounting requirements, collects external interest transactions, the statutory minimum charge for depreciation and debt repayment and the statutory recharge to the Housing Revenue Account for its share of interest costs and debt repayment and compares these to the capital charges made to services for the use of fixed assets. The resultant balance is credited to the summary revenue account, below the total of portfolios.

#### **5.0 BUDGET CHANGES RESULTING FROM THE NEW STATEMENT OF RECOMMENDED PRACTICE (SORP) 2006**

- 5.1 The update to the CIPFA Accounting Code of Practice issued in 2006 has brought in a number of changes to the way that Local Authorities should present their accounts. In order to prepare for 2006/2007 final accounts, these changes have been introduced in the 2006/2007 Revised Estimates.
- 5.2 The main change is the removal of the notional interest element of the capital charge. This was calculated as 3.5% of the net book value of assets and its removal has resulted in a large reduction in the capital charges to individual services. However, this reduction is offset by the removal of the credit within the Asset Management Revenue Account and, therefore, results in no impact on the General Fund bottom line.
- 5.3 A further change relates to the release of deferred grants. These relate to capital expenditure on fixed assets, which has been financed from grants. Grants are credited to the balance sheet and released to revenue over the life of the asset. Prior to 2006/2007 the released grant was credited centrally within the Asset Management Revenue Account but from 2006/2007, the released grant is shown as service income in the service to which the asset relates. Again this has resulted in a reduction in the cost of services but with a corresponding increase in the Asset Management Revenue Account and, thus, no impact of the General Fund bottom line.

## 6.0 REVISED ESTIMATE 2006/2007

### General Fund Services

- 6.1 The revised estimate in respect of General Fund services shows a net increase of **£398,080** when compared to the Original Estimate. This includes a contribution to reserves funded from 2005/2006 underspends, which were agreed as part of the 2005/2006 final accounts process:

- ◆ Environmental Initiatives Reserve £515,630
- ◆ Single Status Reserve £15,000
- ◆ Customer Services Business Unit Reserve £10,000

If these contributions from 2005/2006 underspends are excluded there is a reduction **£142,550**.

- 6.2 A detailed analysis of the reasons for the variance is set out on page G2 of **Appendix 1**. Further details on the main variances are set out below:

### Finance Corporate Management - Increased contribution from HRA (-£19k)

- 6.3 There has been an increase in the contribution to the General Fund from the Housing Revenue Account of £19,480. This contribution has been made to offset the reduction in charges to HRA from salary holding accounts as a result of the change in treatment of notional interest.

### Miscellaneous Financial Items – Payment in lieu of interest Royal Hall Restoration Fund (+£12k)

- 6.4 The Council has agreed to make a payment in lieu of interest to the Royal Hall Restoration Trust in respect of monies paid over by the Trust until such time as the money is spent. The additional interest earned by the Council from holding this money is shown within the Asset Management Revenue Account.

### Miscellaneous Financial Items – Increased Holding Account balances (-£124k)

- 6.5 The production of estimates for Support Services is undertaken at an early stage in the budget process and charges are issued to service users. It is often necessary to estimate recharges from other support services. The subsequent inclusion of actual recharges together with any late budget adjustments will result in the Support Service either under or over recovering its costs. These holding account balances are either credited or debited to Miscellaneous Financial Items in order that the budget balances overall. In 2006/2007 Original Estimate there was a net under recovery of support services of £203,840. The position at Revised Estimate is an under recovery (net of appropriations from reserves) of £80,130. The result is a reduced cost to Miscellaneous Financial Items of £123,710.

### **Support Services**

- 6.6 The revised estimate in respect of Support Services shows a net increase of **£162,510** when compared to the Original Estimate. A detailed analysis of the reasons for the variance is set out on page G5 of the Appendix. Further details on the main variances are set out below:

#### **Increased Employee costs (+£77k)**

- 6.7 The 2006/2007 revised estimate includes £31,000 for the cost of temporary staff to support the FMS implementation and £67,000 for the cost of temporary staff to support the Payroll/HR implementation.
- 6.8 Following the departure of the Accountancy Systems Manager in April 2006, a minor restructure has taken place, which has resulted in a saving of £24,000 in 2006/2007 revised estimate.
- 6.9 Of the net overspend, £34,000 is funded from the Payroll/HR project budget and £26,000 from Financial Management Business Unit reserves (through appropriations within Miscellaneous Financial Items) with the balance being an overspend authorised by the Corporate Management Team to be funded from savings on treasury management costs.

#### **Increased Additional Expenditure (+£77k)**

- 6.10 There is a net increase in additional expenditure of £76,820. The main reason for this is an increase in the Computer SLA of £93,960. This is offset by the deletion of £11,550 re notional interest (see paragraph 5.2 above) and a number of other smaller variations.

### **Asset Management Revenue Account**

- 6.11 The revised estimate in respect of the Asset Management Revenue Account shows a net increase of **£1,337,410** when compared to the Original Estimate. Of this £1,819,540 relates to variations in capital charges, for which a contra entry exists in service budgets, resulting in a real saving is **£482,130**. The principal reasons for this are set out below:

#### **Treasury Management – decreased net cost (-£480k)**

- 6.12 The net cost of treasury management has reduced by £480,000. The main reason for the reduction is increased interest received due to increased interest rates (£195,000) and higher internal balances (£295,000). Balances are higher than estimated at the time of preparing the 2006/2007 budget, due to slippage on capital spending and the transfer of 2005/2006 revenue underspendings to reserves. The total saving is reduced by increased interest due to the Housing Revenue Account (£15,000)

#### **Royal Hall Restoration Fund (-£12k)**

- 6.13 This represents interest on the funds raised by the Royal Hall Restoration Trust towards the total cost of the project and paid over to the Council. An equivalent payment in lieu of interest to the Trust is included within Miscellaneous Financial Items.

### **Hydro Replacement Reserve (+£10k)**

- 6.14 The contribution to the Hydro Replacement Reserve has increased by £10,000. This is year one of a five year phased increase to bring the contribution in line with the revised depreciation charge, following a recent revaluation of the pool.

## **7.0 ORIGINAL ESTIMATE 2007/2008**

### **General Fund Services**

- 7.1 The original estimate for 2007/2008 in respect of General Fund services shows a net increase of **£23,780** when compared to the original estimate 2006/2007.
- 7.2 A detailed analysis of the reasons for the variance is set out on page G3 of **Appendix 1**. Further details on the main variances are set out below:

### **Finance Corporate Management - Increased contribution from HRA (-£23k)**

- 7.3 There has been an increase in the contribution to the General Fund from the Housing Revenue Account of £22,770. This primarily relates to the reduction in charges to HRA from salary holding accounts as a result of the change in treatment of notional interest.

### **Insurance Account (-£75k)**

- 7.4 There has been a reduction in insurance premiums of £99,840 following the recent renewal. The net effect after increasing the appropriation to the Self Funding reserve is a saving of £74,840, which has been passed on to services through reduced charges. The estimated saving to the General Fund is £47,000.

### **Miscellaneous Financial Items - Increased contribution from HIC (-£40k)**

- 7.5 There has been a net increase in the contribution to the General Fund from HIC. This is made up of:
- ◆ Increased contributions **to** HIC in respect of Royal Hall feasibility works (£8,000) and Business Tourism (£1,530);
  - ◆ A reduced contribution **to** HIC in respect of deferred charges (£46,130);
  - ◆ A reduced contribution **from** HIC in respect of the CSU Operations Manager (£5,000);
  - ◆ A new contribution **from** HIC in respect of savings on District Heating and Refrigeration charges following the removal of notional interest from the accounts (£9,110).

### **Miscellaneous Financial Items - Increased contribution to Single Status Reserve (+372k)**

- 7.6 The appropriation to the Single Status reserve has been increased by £371,730. The 2006/2007 Original Estimate has been reduced by £28,270 to reflect the agreed cost of the Chief Officer/Head of Service pay increase, which has correctly been reflected in the relevant departmental budgets. To this has been added a further global provision of £400,000 towards the ultimate cost of implementing single status.

### **Miscellaneous Financial Items –Reduced Holding Account balances (-£252k)**

- 7.7 In 2007/2008 there has been an over recovery by support services (net of appropriations from reserves) of £48,230. This compares to an under recovery of £203,840 in 2006/2007 Original Estimate resulting in a reduced cost to Miscellaneous Financial Items of £252,070.

### **Support Services**

- 7.8 The original estimate 2007/2008 in respect of Support Services shows a net reduction of **£115,020** when compared to the original estimate 2006/2007. A detailed analysis of the reasons for the variance is set out on page G5 of **Appendix 1**. Further details on the main variances are set out below:

### **Accountancy Minor Restructure (-£7k)**

- 7.9 As stated in paragraph 6.8, there was a minor restructure within Accountancy in 2006/2007. This has resulted in a saving in 2007/2008 of £17,000. £10,000 of this saving has been allocated in 2007/2008 to fund the cost of the Payroll Project Manager for a further three months until 30 June 2007.

### **Reduced Additional Expenditure (-£159k)**

- 7.10 There is a net reduction in additional expenditure of £159,350. This primarily relates to a reduction in the Computer SLA (-£146,680) and the deletion of notional interest (-£11,550).

### **Asset Management Revenue Account**

- 7.11 The original estimate 2007/2008 in respect of the Asset Management Revenue Account shows a net increase of **£2,383,850** when compared to the original estimate 2006/2007. Of this £2,666,800 relates to variations in capital charges, for which a contra entry exists in service budgets. There is real reduction of **£282,950** and the principal reasons for this are set out below:

### **Treasury Management – reduced net cost (-£303k)**

- 7.12 The net cost of treasury management has reduced by £302,950. The main reason for the reduction is increased interest received due to increased interest rates (£170,000) and higher internal balances (£53,000). The total saving is increased by reduced net interest due to the Housing Revenue Account (£55,000) and a reduced Minimum Revenue Provision (£25,000). The increased interest on higher internal balances included £7,400 in respect of monies held on behalf of the Royal Hall Restoration Trust for which a

payment in lieu of interest is included within Miscellaneous Financial Items.

#### **Hydro Replacement Reserve (+£20k)**

- 7.13 The contribution to the Hydro Replacement Reserve has increased by £20,000. This is year two of a five year phased increase to bring the contribution in line with the revised depreciation charge, following a recent revaluation of the pool.

### **8.0 EFFICIENCY SAVINGS**

- 8.1 The Financial Management Business Unit has an efficiency savings target of **£9,000** (2%) for 2007/2008 of which **£3,000** (0.75%) was required to be cash savings.
- 8.2 Efficiency savings of **£7,990** have been identified of which **£6,140** is in cash. Details are provided in **Appendix 2**. The cash saving has been included in the base budget.

### **9.0 OPTIONS FOR DISCRETIONARY GROWTH**

- 9.1 No requests for discretionary growth have been submitted for the Financial Management Business Unit.

### **10.0 FINANCIAL RISK MANAGEMENT**

- 10.1 A key aspect of the Council's approach to budgeting is a risk management assessment, which is carried out throughout the budget process.
- 10.2 In the case of expenditure, there is little risk to most of the Business Unit's estimates and the budget can be fairly accurately predicted, for example employee costs and running expenses.
- 10.3 An area of vulnerability relates to the need to predict the likely movement in interest rates. This is difficult at the present time as there is divergence of opinion amongst 'experts' over which way rates are likely to go. The assumed rate in the 2007/2008 original estimate is 5% from April 2007 falling to 4.75% in the second quarter. Given the impact on the budget of a relatively small reduction in interest rates, the approach of the Council has always been to take a cautious view when trying to predict likely movements.
- 10.4 Another area of risk relates to the negotiation of insurance premiums. Whilst the Authority takes a pro-active approach to risk management in an attempt to mitigate rises in insurance premiums, there are still a large number of factors affecting the global insurance market over which the Council has no control. Following the end of the current long term agreements, the insurance portfolio was the subject of a full marketing exercise in the summer of 2006.
- 10.5 A key element of the risk assessment process is the review of all budgets by the Director of Resources and myself in conjunction with the business unit/cost centre managers, which takes part routinely as part of the Budget

preparation process.

## 11.0 PROJECTIONS 2008/2009 AND 2009/2010

11.1 Under the Government's Prudential Code and also for the Comprehensive Performance Assessment, the Council is required to produce budgets for the next 3 years. These projections are only a very broad indication of likely net expenditure levels and have been compiled in accordance with the guidance and parameters set. NB projections are not currently produced in respect of accounts that are full recharged to other services.

## 12.0 SCRUTINY

12.1 This report will be considered by the Organisation, Improvement & Environment Overview & Scrutiny Commission on 15 January 2007.

**Background Papers:** None as defined in the Act

**OFFICER CONTACT:** Please contact Val Hunter if you require any further information on the contents of this report. The officer can be contacted at Council Offices, Crescent Gardens, Harrogate HG1 2SG, by telephone on 01423 556124 or by email [val.hunter@harrogate.gov.uk](mailto:val.hunter@harrogate.gov.uk)

### SUSTAINABILITY ASSESSMENT/POLICY CONSIDERATIONS

		Implications are		
		Positive	Neutral	Negative
A	Economy		✓	
B	Environment		✓	
C	Social Equity		✓	
(i)	General		✓	
(ii)	Customer Care/People with Disabilities		✓	
(iii)	Health Implications		✓	
D	Crime and Disorder Implications		✓	

If all comments lie within the shaded areas, the proposal is sustainable.



## RESOURCES PORTFOLIO

## DEPARTMENT OF RESOURCES

## Business Unit: Financial Management

2005/06 Actual	2006/07 Original Estimate	2006/07 Revised Estimate	Cost Centre	2007/08 Original Estimate	2008/09 Projection	2009/10 Projection
£	£	£		£	£	£
			<b>Central Services:</b>			
			<b>Miscellaneous</b>			
-345,223	210,970	291,100	Miscellaneous Financial Items	-35,530	-46,790	-53,580
10,497	2,860	-50,280	Insurance Account	1,790	0	0
			<b>Corporate &amp; Democratic Core:</b>			
			<b>Corporate Management</b>			
225,041	305,770	293,270	Finance Corporate Management	287,330	297,350	311,750
			<b>Non Distributed Costs</b>			
-1,872,000	16,000	39,740	Non Distributed Costs	16,000	10,000	10,000
56,000	56,420	48,760	Local Act Pensions	48,980	49,100	49,220
			<b>Other Operating Expenditure</b>			
5,830,000	5,332,000	5,830,000	Pensions Interest Cost	5,830,000	5,830,000	5,830,000
-4,381,000	-4,083,000	-4,381,000	Return on Pensions Assets	-4,381,000	-4,381,000	-4,381,000
1,029,839	-1,222,510	-1,422,500	Appropriation to/from(-) Pensions Reserve	-1,431,770	-1,442,670	-1,449,000
737,680	373,450	740,950	Appropriation to/from(-) Revenue Reserve	679,940	932,100	1,080,820
1,290,834	991,960	1,390,040	<b>GF Net Expenditure</b>	1,015,740	1,248,090	1,398,210
			<b>Subjective Analysis</b>			
-1,868,099	56,200	79,020	Employees	49,300	49,430	49,570
18,000	16,000	16,000	Premises	16,000	10,000	10,000
621,315	628,670	587,920	Supplies & Services	561,440	564,230	574,620
52,602	2,770	45,460	Transport	0	0	0
1,449,000	1,249,000	1,449,000	Pensions Interest Cost/Return on Assets	1,449,000	1,449,000	1,449,000
1,029,839	-1,222,510	-1,422,500	Appropriation to/from(-) Pensions Reserve	-1,431,770	-1,442,670	-1,449,000
737,680	373,450	740,950	Appropriation to/from(-) Reserves	679,940	932,100	1,080,820
2,040,337	1,103,580	1,495,850	<b>Total Controllable Expenditure</b>	1,323,910	1,562,090	1,715,010
176,421	203,430	203,300	Employees	199,040	204,020	209,130
-45,765	56,260	-40,270	Premises	-32,230	-33,180	-34,160
178,908	248,620	242,660	Supplies & Services	114,700	117,730	120,870
-147,401	48,390	254,360	Support Services	38,050	36,360	31,840
-7,321	2,330	-7,300	Service Management	-7,460	-7,650	-7,840
154,842	559,030	652,750	<b>Total Additional Expenditure</b>	312,100	317,280	319,840
2,195,179	1,662,610	2,148,600	<b>Total Expenditure</b>	1,636,010	1,879,370	2,034,850
			<b>Less Income</b>			
717,051	664,450	683,930	Internal Recharges	614,720	625,540	630,710
186,606	0	68,530	Sales, Fees, Charges	260	260	260
688	6,200	6,100	Other Income	5,290	5,480	5,670
904,345	670,650	758,560	<b>Total Income</b>	620,270	631,280	636,640
1,290,834	991,960	1,390,040	<b>Net Expenditure</b>	1,015,740	1,248,090	1,398,210

**RESOURCES PORTFOLIO**

**DEPARTMENT OF RESOURCES**

**Business Unit: Financial Management**

**Major Variances between 2006/07 Original and Revised Estimates**

	£	
Revised Estimate 2006/07	1,390,040	
Original Estimate 2006/07	991,960	
	<b>Increase in Net Expenditure</b>	<b>398,080</b>
<b>Explained by:-</b>		
	£'000	£'000
<b>Miscellaneous Financial Items</b>		
Increase in Employee Costs		
7) Underpayment of Superannuation	6	
Miscellaneous Employee Costs	1	
Increase in Supplies & Services - Payment in lieu of interest - Royal Hall Restoration Fund	12	
Increase in Appropriations to Reserves		
CSU - Use of 2005/06 underspends (As agreed by Cabinet)	10	
Single Status - Use of 2005/2006 underspends (As agreed by Cabinet)	15	
Environmental Initiatives Fund - Use of 2005/2006 underspends (As agreed by Cabinet)	516	
Net movement in HIC contributions	-3	
6) Commuted Sums maintenance	68	
5) Use of ITD BU reserve to fund expenditure within the ITD holding a/c	-135	
4) Use of Financial Mangement BU Reserve to fund overspend within Accountancy and Audit holding a/c	-26	
4) Use of HR/Payroll Project reserve to fund project costs within Accountancy holding a/c	-34	
4) Use of Single Status Reserve to fund HR expenditure	-44	
4) Use of Human Resources BU Reserve to fund other HR expenditure	-7	
4) Use of BMA Operational Reserve to fund employee costs	-6	
Member budgets - uncommitted balances transferred back to general fund	-7	
7) Underpayment of Superannuation	-6	
Other small decreases	-3	
6) Increase in Income - Commuted Sums maintenance	-68	
Increase in Additional Expenditure		
Holding a/c balance (due to pre-estimating) - Staff agency	-2	
Holding a/c balances (due to pre-estimating) - Building management & caretaking	-97	
5) Holding a/c balance (due to pre-estimating) - Computer SLA	-11	
Holding a/c balance (due to pre-estimating) - Environment Central Transport	43	
4) Holding a/c balances (due to pre-estimating) - various cost centres	196	418
<b>Insurance Account</b>		
1) Decrease in Supplies & Services - Premiums and contingency	-53	
1) Increase in Appropriations to Reserves	53	0
<b>Finance Corporate Management</b>		
Increase in Additional Expenditure		
Corporate Management	2	
Recharged audit fees	5	
Increase in internal income - HRA contribution to GF (for capital charges interest)	-19	-12
<b>Non Distributed Costs</b>		
2) Increase in Employee Costs - Early retirement costs	24	
2) Increase in Appropriations from Pension Funding Reserve	-24	0
<b>Local Act Pensions</b>		
Decrease in Employee Costs - West Yorkshire Pension Fund	-8	-8
<b>Pensions</b>		
3) Increase in External Interest	200	
3) Increase in Appropriations from Pensions Reserve	-200	0
		<b>398</b>

PLEASE NOTE THAT THE CORRESPONDING NUMBERED ITEMS ARE LINKED

**RESOURCES PORTFOLIO**  
**DEPARTMENT OF RESOURCES**  
**Business Unit: Financial Management**

**Major Variances between 2006/07 Original and 2007/08 Original Estimates**

	£	
Original Estimate 2007/08	1,015,740	
Original Estimate 2006/07	<u>991,960</u>	
<b>Increase in Net Expenditure</b>	<b><u>23,780</u></b>	
<b>Explained by:-</b>	<b>£'000</b>	<b>£'000</b>
<b>Miscellaneous Financial Items</b>		
Increase in Supplies & Services - Payment in lieu of interest - Royal Hall Restoration Fund	8	
Increase in Appropriations to Reserves		
Net movement in HIC contributions	-40	
Corporate Restructure savings to Single Status Reserve (offset by increased costs of CO/HoS pay awards)	-28	
Additional contribution to Single Status Reserve	400	
2) Use of HR/Payroll Project reserve to fund project costs within Accountancy holding a/c	-5	
2) Use of Business Support BU Reserve to fund staff costs	-4	
2) Use of BMA Operational Reserve to fund employee costs	-24	
Various other small increases/decreases	-3	
Decrease in Additional Expenditure		
Monuments costs	-2	
Holding a/c balances (due to pre-estimating) - Building management & caretaking	-87	
Holding a/c balance (due to pre-estimating) - Computer SLA	-145	
Holding a/c balance (due to pre-estimating) - Environment Central Transport	-3	
2) Holding a/c balances (due to pre-estimating) - various cost centres	<u>-17</u>	50
<b>Insurance Account</b>		
1) Decrease in Supplies & Services - Premiums and brokerage fees	-75	
1) Increase in Appropriations to Reserves	1	
Decrease in Income		
1) External recharge of insurance premiums/insurance commission	1	
1) Internal recharge of insurances	<u>73</u>	0
<b>Finance Corporate Management</b>		
Increase in internal income - HRA contribution to GF (for capital charges interest)	-23	
Increase in Additional Expenditure		
Other direct salaries	-4	
Recharged audit fees and bank charges	10	
Support Service and Service Management costs	<u>-2</u>	-19
<b>Non Distributed Costs</b>		
3) Increase in Appropriations to Pension Funding Reserve - early retirement costs	<u>9</u>	9
<b>Local Act Pensions</b>		
Decrease in Employee Costs - West Yorkshire Pension Fund	<u>-7</u>	-7
<b>Pensions</b>		
3) Increase in External Interest	200	
3) Increase in Appropriations from Pensions Reserve	<u>-209</u>	-9
		<u><u>24</u></u>

PLEASE NOTE THAT THE CORRESPONDING NUMBERED ITEMS ARE LINKED

**RESOURCES PORTFOLIO**

**DEPARTMENT OF RESOURCES  
RECHARGEABLE ACCOUNTS**

**Business Unit: Financial Management**

2006/07 Original Estimate Net	2006/07 Revised Estimate Net	Cost Centre	2007/08 Original Estimate		
			Gross Expenditure	Gross Income	Net Expenditure
£	£		£	£	£
1,299,360	1,461,510	<b>Support Services</b>			
285,640	286,000	Accountancy	1,183,770	1,350	1,182,420
		Internal Audit	287,560	0	287,560
-1,585,000	-1,747,510	<b>Recharges to Services</b>	0	1,469,980	-1,469,980
0	0	<b>Net Expenditure</b>	1,471,330	1,471,330	0
		<b>Subjective Analysis</b>			
902,590	982,910	Employees	936,030	(1)	
175,800	181,250	Supplies & Services	186,730		
4,030	3,930	Transport	3,970		
1,082,420	1,168,090	<b>Total Controllable Expenditure</b>	1,126,730		
5,090	5,110	Employees	4,810		
241,500	335,460	Supplies & Services	94,820		
229,520	223,920	Support Services	229,030		
13,020	13,020	Service Management	12,680		
14,820	3,260	Capital Charges	3,260		
503,950	580,770	<b>Total Additional Expenditure</b>	344,600		
1,586,370	1,748,860	<b>Total Expenditure</b>	1,471,330		
		<b>Less Income</b>			
1,585,000	1,747,510	Internal Recharges	1,469,980		
1,370	1,350	Other Income	1,350		
1,586,370	1,748,860	<b>Total Income</b>	1,471,330		
0	0	<b>Net Expenditure</b>	0		

(1) The employee costs relate to the following number of full time equivalent employees - 25.5 in OE 2006/2007, 27.4 in RE 2006/2007 and 25.5 in OE 2007/2008

**RESOURCES PORTFOLIO**  
**DEPARTMENT OF RESOURCES**  
**RECHARGEABLE ACCOUNTS**  
**Business Unit: Financial Management**

**Major Variances between 2006/07 Original and Revised Estimates**

	£	
Revised Estimate 2006/07	1,747,510	
Original Estimate 2006/07	<u>1,585,000</u>	
	<b>Increase in Net Expenditure 162,510</b>	
<b>Explained by:-</b>	<b>£'000</b>	<b>£'000</b>
<b>Accountancy</b>		
Increase in Employee Costs		
* Payroll Project	67	
* Accountancy mini restructure	-24	
* Transfer to Business Support	-8	
* FMS Project Support	31	
* Other employee expenses	11	
Increase in Supplies and Services - Audit Commission fees (recharged to Corporate Management)	5	
Increase in Additional Expenditure		
Computer SLA - deferred charges	96	
Support Service/Service Management	-5	
Capital charges - notional interest no longer charged	<u>-10</u>	163
<b>Internal Audit</b>		
Increase in Employee Costs	4	
Increase in Supplies and Services	1	
Increase in Additional Expenditure		
Computer SLA - deferred charges	-2	
Support Service/Service Management	-1	
Capital charges - notional interest no longer charged	<u>-2</u>	0
		<u>163</u>
* +£21k CMT agreed overspend for FMS project, +£26k other overspend funded from BU Reserves (Appropriation within MFI), and +£34k HR/Payroll Project funded from Project Reserves (Appropriation within MFI)		

**RESOURCES PORTFOLIO**  
**DEPARTMENT OF RESOURCES**  
**RECHARGEABLE ACCOUNTS**  
**Business Unit: Financial Management**

**Major Variances between 2006/07 Original and 2007/08 Original Estimates**

	£	
Original Estimate 2007/08	1,469,980	
Original Estimate 2006/07	<u>1,585,000</u>	
	<b>Decrease in Net Expenditure -115,020</b>	
<b>Explained by:-</b>	<b>£'000</b>	<b>£'000</b>
<b>Accountancy</b>		
Increase in Employee Costs -		
Pay Award 2.5% / Increase in superannuation rate from 19.9% to 21.0%	23	
Increments	11	
Payroll Project (£5k funded from HR/Payroll Project - Appropriation within MFI)	15	
Accountancy mini restructure	-17	
Transfer to Business Support	-9	
Other employee expenses	1	
Increase in Supplies and Services - Audit Commission fees and Bank charges (recharged to Corporate Mgmt)	11	
Increase in Additional Expenditure		
Computer SLA - deferred charges	-144	
Support Service/Service Management	2	
Capital charges - notional interest no longer charged	<u>-10</u>	-117
<b>Internal Audit</b>		
Increase in Employee Costs -		
Pay Award 2.5% / Increase in superannuation rate from 19.9% to 21.0%	7	
Increments	2	
Increase in Additional Expenditure		
Computer SLA - deferred charges	-2	
Support Service/Service Management	-3	
Capital charges - notional interest no longer charged	<u>-2</u>	2
		<u>-115</u>

**RESOURCES PORTFOLIO  
DEPARTMENT OF RESOURCES**

**Asset Management Revenue Account (Other Operating Expenditure/Appropriations)**

2005/06 Actual	2006/07 Original Estimate	2006/07 Revised Estimate		2007/08 Original Estimate	2008/09 Projection	2009/10 Projection
£	£	£		£	£	£
-444,359	118,890	-387,490	<b>External Interest Transactions</b>	-103,500	-184,660	-397,570
4,034,772	4,389,050	4,339,890	<b>Depreciation</b>	4,549,090	4,607,100	4,666,520
-1,739,094	-2,001,840	-1,950,770	<b>Reversal Depreciation charged to GF</b>	-2,108,070	-2,108,070	-2,108,070
635,396	604,860	604,860	<b>GF Minimum Revenue Provision</b>	575,290	546,650	518,890
128,000	134,400	134,400	<b>Voluntary set aside Prudential Borrowing</b>	140,800	147,200	153,600
-160,000	-160,000	-160,000	HIC Surplus to repay Prudential Borrowing	-160,000	-160,000	-160,000
-2,336,278	-2,552,200	-2,537,940	<b>Capital Charges to HRA</b>	-2,661,480	-2,776,500	-2,849,760
-43,900	-43,900	-45,820	Appropriation from Major Repairs Reserve	-45,820	-45,820	-45,820
74,537	489,260	-2,870	<b>Net Cost GF Treasury Management</b>	186,310	25,900	-222,210
827,855	597,480	258,550	<b>Government Levy Pooled Housing Receipts</b>	219,050	223,040	228,540
			<b>Internal Recharges to GF Services</b>			
-4,147,570	-4,399,670	-1,950,770	Capital Charges to Services	-2,108,070	-2,108,070	-2,108,070
-284,120	-284,120	0	Release of Capital Grants	0	0	0
-4,431,690	-4,683,790	-1,950,770		-2,108,070	-2,108,070	-2,108,070
			<b>Movements on GF Balance</b>			
1,569,588	3,356,900	4,241,710	Capital Expenditure charged to Revenue a/c	1,861,970	1,596,580	1,329,580
284,120	284,120	290,770	Grants deferred to Capital Financing Account	261,570	243,630	223,840
-1,503,278	-1,552,520	-1,914,150	Other Capital Expenditure write downs	-880,020	-768,580	-733,180
-827,855	-597,480	-258,550	Appropriation from Capital Receipts Reserve	-219,050	-223,040	-228,540
-1,300,036	-2,912,410	-4,345,720	Appropriation to/from(-) Reserves	-1,956,350	-1,680,960	-1,403,960
-5,306,759	-5,018,440	-3,681,030	<b>GF Net Expenditure</b>	-2,634,590	-2,691,500	-2,914,000

**APPENDIX 2****BUDGET 2007/2008 – EFFICIENCY SAVINGS****FINANCIAL MANAGEMENT BUSINESS UNIT****CASH SAVINGS****£**

1. Net salary savings – minor restructure 6,140

**TOTAL CASH SAVINGS 6,140**

**NON-CASH SAVINGS**

1. Savings on time in copying audit reports for filing purposes. Reports are now filed electronically. 700

2. Savings on time producing Audit Monitoring information. Previously information was manually input into Excel from APACE. Information is now downloaded into Access. 650

3. Time saved by using the audit risk assessment module in APACE to target audit resources more systematically. 500

**TOTAL NON-CASH SAVINGS 1,850**

**TOTAL EFFICIENCY SAVINGS 7,990**