



Working for you

REPORT TO: CMT
Cabinet

DATE: 7 September 2006 (CMT)
20 September 2006 (Cabinet)

REPORTING OFFICER: Head of Financial Management
(*Accountancy Support Manager – Gillian Morland*)

SUBJECT: **GENERAL FUND REVENUE MONITORING 2006/07**

WARDS/AFFECTED: None

FORWARD PLAN REF: N/A

1.0 PURPOSE OF REPORT

1.1 This report provides an update on the Council's financial position on General Fund revenue expenditure and income for the 2006/07 year.

2.0 RECOMMENDATION

2.1 Members are asked to note the contents of the report.

3.0 THE REPORT

3.1 Current information suggests an underspend of £488,625 compared to the original estimate. When appropriations to/from business unit reserves are taken into account the resulting underspend is £461,425. This is only an indication of some of the changes that have occurred since the original estimate budget for the year was prepared during the later months of 2005. There is no guarantee that the forecast variances will necessarily occur.

3.2 The appendix provides a break-down by portfolio of the major variations to the original estimate. Please note that the 2006/07 original estimates have been restated in the appendix to reflect the movement of budgets between portfolios resulting from the Cabinet reshuffle. The last report suggested an underspend of £205,500, with an impact of £210,500 on the working balance after allowing for appropriations to/from BU reserves. The appendix shows new or amended

items since the last monitoring report was produced.

3.3 As can be seen from the appendix, the reasons for the forecast underspend against the original estimate are:

- additional general fund interest income of £375k (last report suggested £150k). £120k of this is due to higher forecast interest rates (base rate forecast at 0.35% above original estimated figure), £50k is due to Treasury Management longer term dealing and £230k is due to higher internal balances than anticipated. These balances have arisen from slippage on capital spending (£0.3m on Housing Investment Programme and £2.8m other services) and prior year revenue underspendings transferred to reserves (GF £0.2m to Business Unit Reserves and £0.5m to working balance, HRA £0.4m to working balance and HIC £0.4m to Investment Reserve). Of this additional interest, £15k relates to HRA and so has been excluded and a £10k increase in the contribution to the Hydro Replacement Reserve (in line with the current depreciation charge) has also been netted off. £22k of this additional interest income is to be used to finance additional resources for resolving Agresso issues and £6k for the homeless mediation service.
- a saving of £134k resulting from a budget overstatement. Please see the previous monitoring report (26 July) for further detail.
- additional HB/CTB Subsidy of £23k. This is in relation to our initial final claim for 2005/06. Subsidy for 2005/06 is higher than anticipated when the 2005/06 accounts were closed. It should be noted that the claim is subject to external audit later in the year and so this additional income cannot be guaranteed.
- an increased gas cost of £13k. The Council's current gas supply contract expires on 31 October and, following a widespread competitive process, our consultants advised the Council to accept an attractive offer by NPower for a five year fixed contract, thus securing long term competitive rates and providing stability for the Council's budgeting process for this normally turbulent energy market. Approval was given to enter into this contract at the Leader meeting in August. Together with current consumption trends (which Building Management officers will be monitoring), the total impact of this new contract is forecast to be an increased cost of £65k in 06/07. However, of this total, £21k relates to non-general fund HIC, £18k to the Housing Revenue Account and £13k is externally rechargeable, hence the general fund cost is £13k. The appendix to this report shows that in some areas the impact is actually a reduction to the original estimate because current consumption levels have been taken into account.

Together, these areas of variation account for the majority of the underspend to the original estimate of £488,625.

3.4 Year-end business unit principles state that overspends within the control of Departments should in the first instance be met from business unit reserves,

while half of any underspends may be retained by business units. This has been reflected in the attached appendix, which shows that £27,200 of the forecast underspend would be transferred to business unit reserves.

- 3.5 Any remaining underspend will be transferred to the working balance.
- 3.6 The HIC Conference and Exhibition budget does not form part of the general fund budget and so variances in this area are not reflected in the overspend shown in this report. At this early stage of the year however, there are no variances to report for this budget area.
- 3.7 It should be noted that the Council's budget monitoring is predictive rather than backward looking. The variances to budget are based on income/expenditure forecasts to the end of the financial year, based on actual figures to date. When producing this monitoring report, we always examine large, high risk or volatile budgets such as land charges and off-street car parking income. The monitoring is related to operational activity indicators that are lead indicators of spend. It should also be noted that cash savings of £291,910 (including £21,000 of service cuts) and non-cash savings/efficiency gains of £623,110 for the year are reflected in the budget.

Background Papers None

OFFICER CONTACT: Please contact Gillian Morland if you require any further information on the contents of this report. The officer can be contacted at Crescent Gardens by telephone on (01423) 556105 or by e-mail – gillian.morland@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.