

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 11 January 2007
AUTHOR/S: Chief Executive/Best Value & Management Accountant

QUARTERLY MONITORING REPORT AND PRUDENTIAL INDICATORS INCLUDING TRANSFORMATION PROJECT COSTS/SAVINGS

Purpose

1. To provide a commentary on actual income and expenditure against budget, for the General Fund, Housing Revenue Account and Capital Programme in relation to the third quarter of the 2006-07 financial year and to monitor the indicators under the Prudential Code for Capital Finance in Local Authorities. The report also satisfies the requirement of Council to receive a three monthly report on savings arising from the Transformation Project.

Executive Summary

2. The information in this report indicates the following projected underspends: -
 - (a) General Fund £ 281,200;
 - (b) Housing Revenue Account (HRA) £ 967,600: and
 - (c) Capital £ 193,700.

Background

3. This report indicates the expenditure against budget to the 31st December 2006 and is the third of these regular reports for the 2006-07 financial year.
4. The information necessary for the production of the monitoring report is not available until shortly before the scheduled Cabinet meeting; faced with this situation Cabinet has indicated their willingness to have these reports tabled rather than wait for the subsequent meeting, by which time the information would be six weeks out of date. Because of the short-time scale available to Members in which to examine the information contained in these reports, Cabinet have requested the Resources, Staffing, Information & Customer Services Portfolio Holder to scrutinise the reports as part of his Portfolio Holder meetings.
5. Under the Prudential Code, the Chief Financial Officer is required to establish procedures to monitor performance against the prudential indicators and to ensure that any borrowing is for capital purposes. The indicators are primarily to show whether a local authority is entering into long-term commitments that it may not be able to afford in the future and they are, therefore, of less relevance to debt free authorities like South Cambridgeshire.
6. Council on the 23rd February 2006 agreed that three monthly reports should be prepared showing the costs/savings from the Transformation Project. This report updates the information previously reported.

Considerations

7. This report concentrates on the largest expenditure and income budgets. The largest expenditure budgets are the departmental budgets, which, on the basis of the revised estimate for 2006/07 now total £13.8 million, excluding capital charges. Other overhead budgets include office accommodation, the depot, central expenses and central support services. The departmental and overhead budgets are recharged to the General Fund and the Housing Revenue Account. Other General Fund services that have budgeted expenditure or income in excess of £200,000 are also shown separately.
8. Presenting this report when we are part way through the estimates process has presented challenges in making meaningful comparisons; for this reason **Appendix A** attached, has been extended to make interpretation of the position easier. Figures are shown for original estimate, amended original estimate, working estimate and actual income and expenditure to date. The original estimate is the amount that was approved by Council in February 2006.
9. In compiling this position statement the following factors have been incorporated in the amended original estimate and in forecasting the projected under/overspendings:
 - (a) Agreed rollovers;
 - (b) Agreed Virements;
 - (c) Increase in Cash Limits for:
 - (i) The Local Land Charges System;
 - (ii) The State of The Nation; and
 - (iii) Costs of Restructuring 2nd Tier Officers Posts; and
 - (d) Net Underspending previously reported to Cabinet in October 2006 that has been incorporated into the Medium Term Financial Strategy (MTFS).
10. The Working estimate includes the items in paragraph 9 above, but the Staffing and Overhead Accounts are the revised estimates that were approved by Cabinet on 14th December 2006, plus other re-allocations e.g. benefit grant.
11. A brief commentary forms part of **Appendix A** and paragraph 12 below highlights the projected under/overspendings as compared to the working estimate that require Member attention.
12. Of the areas identified, the following items are likely to be significantly different from the approved estimates:

Revenue

Transformation Project

- (a) The 2006/07 estimates for the Transformation Project are part of the Corporate Management budget and include provision for the Business Process Review, Senior Management Team and Project Manager. The estimates were based on figures provided by the consultants, Mouchel Parkman, and were included in the estimates on a payments basis. In closing the accounts for 2005/06, it became apparent that, in order to comply with the Accounting Code of Practice, the cost of any definite decisions made by 31st March 2006 had to be provided for in the 2005/06 accounts. A provision was, therefore, made in last year's accounts for the cost of redundancy, early retirement and compensatory added years lump sums and the first annual

payments in respect of the former Chief Executive and the Development Services Director;

- (b) The 2006/07 estimate of £36,250 for the Senior Management Team was a net figure comprising of the leaving costs and salary savings on these two posts and enhanced salaries for the new two person Senior Management Team. The only costs which will now occur in 2006/07 are the salary savings and the salary enhancements so that the original budget of £36,250 net expenditure is revised to £135,260 net income, an underspend in 2006/07 of £171,510 solely due to timing differences. Approximately 25% of this amount will be recharged to the Housing Revenue Account. As the savings from the Transformation Project are needed to balance the Medium Term Financial Strategy, this “underspending” in 2006/07 is not included in the figures quoted in the remainder of this report;
- (c) The costs incurred in the nine month period to 31st December 2006 were costs for the Project Manager, Project Analysts, Customer Services Project Officer, redundancy costs for the three Executive/Personal Assistant posts and the costs of the Senior Management Team; and
- (d) In terms of the “steady state” position, which may be more meaningful to Members, (once redundancy, costs associated with early payment of benefits and CAY lump sums have been defrayed) the position can be summarised thus:

	£
Senior Management Team Restructuring	(175,000)
PA/Secretarial Support	
Restructuring	£60,000
Less cost of post of Customer Services Project Officer	£30,000
	(30,000)
Less 2 nd Tier Re-structuring	125,000
Total Savings per annum	(80,000)

Costs in relation to the appointment of the Transformation Project Manager (one year fixed term contract), two Business Analyst posts (permanent) less part of Building Capacity East Grant, amount to £101,000 per annum for the first year and on an on-going basis £80,000 per annum thereafter.

General Fund

- (a) Departmental Accounts are currently £19,100 underspent attributable to vacancies, predominately in the Development Services, Community Services & Community Development;
- (b) The approved revised estimates for the departmental & overhead accounts are £152,000 less than the amended estimate;

- (c) Planning Services expenditure is predicted to be £80,000 overspent due to additional costs of the wind farm appeal (a statutory obligation), judicial review of various planning applications and consultants employed to give planning advice due to vacancies in the development services. This may be offset by underspendings which may materialise in the revised estimates;
- (d) Income is estimated to be a net £92,400 higher than originally predicted due to additional planning fees, building control fees and land charges income, less Milton Country Park and Pest Control Income not realised;
- (e) Interest on balances is estimated to be £100,000 more than previously reported due to better deals on anticipated interest rates and more investments have been made because of higher balances;

HRA

- (a) The Housing Repairs budget is currently overspent on Change of Tenancies. This is being actively managed to ensure that the net position, offsetting any DLO trading surplus relating to this extra activity, remains within the original estimate and approved additions;
- (b) In the original estimates £350,000 of redundancy costs for the Sheltered Housing Service Re-organisation was provided for. To comply with Accounting Standards this was included for in the 2005/06 Accounts and therefore is no longer required in the estimates;
- (c) The payment to the Government into the national pool in respect of the surplus on the notional HRA has been revised; it is now £300,000 less than originally estimated because of changes made by the Department for Communities and Local Government;
- (d) The revised departmental & overhead accounts are estimated to be £213,600 less than the amended estimate;
- (e) The above were included in the HRA Overview reported to Cabinet on the 14th December 2006, which indicated that the HRA was projected to have a surplus of £563,000 compared to the original estimate of a deficit of £405,000, an underspend of £968,000: and

CAPITAL

- (a) ICT Development is predicted to underspend by £144,900 due to the contact centre integration not taking place because of 3rd party delays. This will be required to be rolled-over into 2007/08.

Prudential Indicators

13. Prudential Indicators are shown in **Appendix C** and the Council has remained within the set limits for Treasury Management.

Implications

14. The Council needs to ensure that it spends within its budgets, because of the impact on the level of balances and the implication for the Medium Term Financial Strategy.

15.	Financial	As detailed in the report.
	Legal	None.
	Staffing	Not Relevant.
	Risk Management	As Above.
	Equal Opportunities	None.

Consultations

16. None.

Effect on Annual Priorities and Corporate Objectives

17.	Affordable Homes	None.
	Customer Service	None.
	Northstowe and other growth areas	None.
	Quality, Accessible Services	None.
	Village Life	None.
	Sustainability	None.
	Partnership	None.

Conclusions/Summary

18. The figures produced at Appendix A can be summarised as:

	Projected (Under) /Overspend
General Fund	
	£
Departmental Accounts	(19,100)
Reductions in Revised Departmental & Central Overhead Accounts	(152,000)
Additional Planning Service Expenditure	80,000
Net Additional Income - mainly planning fees	(92,400)
Interest on Balances greater than expected	(100,000)
Recharge to HRA, Capital etc.	<u>2,300</u>
Predicted Net Underspending for 2006/07	<u>(281,200)</u>
HRA	
Sheltered Housing – Redundancy Costs	(350,000)
Contribution to National Pool	(300,000)
Other Reductions	(104,000)
Recharged Departmental and overhead accounts	<u>(213,600)</u>
Predicted Net Underspending for 2006/07	<u>(967,600)</u>
Capital	
ICT Development	(144,900)
Recharged Departmental and overhead accounts	<u>(48,800)</u>
Predicted Net Underspending for 2006/07	<u>(193,700)</u>

Recommendations

19. Cabinet is requested to note the projected expenditure position and the monitoring of prudential indicators and to refer the report to the next meeting of the Resources, Staffing, Information & Customer Services Portfolio Holder for more detailed consideration.

Background Papers: the following background papers were used in the preparation of this report:

Estimate Book 2006/07,
Revised Estimates for the Staffing and Central Overhead Accounts,
HRA Overview and Subsidy Report and
Reports from the Financial Management System.

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