

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 12th April 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 the provisional income and expenditure out-turn against budget, for the General Fund, Housing Revenue Account and Capital Programme in relation to 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 (under)/overspends net of predicted rollovers compared to the revised estimates: -
 - (a) General Fund £ (171,200);
 - (b) Housing Revenue Account (HRA) £ (127,900); and
 - (c) Capital £ 70,900.

Background

3. This report indicates the preliminary outturn position for the 2006-07 financial year and updates the previous report to Cabinet on 11th January 2007.
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have these reports tabled rather than wait for the subsequent meeting, by which time the information would be six weeks out of date.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 and questions the future relevance of this information in the light of the Council's planned response to the Corporate Governance Inspection Report.

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. A summary position statement is provided at **Appendix A**, for the budgets referred to above. Figures are shown for original estimate, revised estimate, working estimate and actual income and expenditure to date. The original estimate and revised estimate are the amounts that were approved by Council in February 2006 and February 2007.
9. Virements agreed since the approval of the revised estimate have been incorporated in the working estimate, which has then been used in forecasting the projected under/overspendings.
10. A brief commentary forms part of **Appendix A** and paragraph 11 below highlights the projected under/overspendings as compared to the working estimate that require Member attention.
11. 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 year to 31st March 2007 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:

	£	Savings per annum
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.

- e. As part of its consideration of the Corporate Governance Inspection (CGI) progress report and associated Improvement Plan, earlier on today’s agenda, Cabinet are being asked to confirm that the Transformation Project should be subsumed within the CGI Improvement Project;
- f. Council have already approved an additional £300,000 per annum to be available to Cabinet to provide capacity to address the findings of the CGI report. In addition, £125,000 was previously approved as part of the Transformation Project to strengthen senior management capacity. Part of this £425,000 has already been spent on recruiting to the new second tier structure etc., and approval for other posts is being sought on today’s agenda;

- g. From 2008/09 onwards the Medium Term Financial Strategy assumes savings from the Transformation Project, including Business Process re-engineering of approximately £300,000 per annum;
- h. In the light of the above circumstances it is no longer appears appropriate to continue reporting savings from the Transformation Project, in isolation, in the present form;
- i. The £235,000 “steady state” gross savings per annum from the Senior Management Team (including supporting staff) restructuring exercise is a given and has been used to offset the costs of employing three permanent additional staff; two business analysts and a Customer Services Project Officer. The net “steady state” saving therefore becomes £125,000 per annum and it seems unnecessary to continue to report this on a regular basis;
- j. For the future, it is suggested that CGI progress reports contain a financial update showing commitments against the £425,000 budget for capacity building; In addition, as discreet areas of work are examined as part of the Business Process Re-engineering exercise, regular reports on the savings and efficiency initiatives arising there from should be made to Cabinet. This process will enable Members to better monitor additional expenditure and efficiency savings throughout the year and determine the progress against the Medium Term Financial Strategy target figures;

General Fund

Departmental Costs

- k. Departmental Salaries are £138,700 underspent attributable to vacancies, predominately in the Community Services, Community Development, Housing Management Services, Housing Property Services & Development Services. Also, a provision of £65,000 was included in the revised estimates for the restructuring of the 2nd Tier Officer posts of which £43,100 has not been spent;
- l. Departmental Travel costs are £39,300 underspent mainly in the Housing Property Services and Development Services;
- m. Other departmental costs are £169,000 underspent. The two significant items within this figure are: -
 - 1. ICT Computer Expenditure underspend of £46,600 of which £25,500 is due to slippage of planned expenditure and will be required in 2007-08: and
 - 2. Development Control Data Capture underspend of £51,500, which will be requested to be rolled over into 2007-08.
- n. Central Overheads are underspent by £74,600 owing to invoices for services in respect of Cambourne Offices which have not materialised and Central Training being underspent;

Service Costs

- o. The Refuse Collection & Street Cleansing expenditure is predicted to be £80,000 underspent due to salaries being £40,000 less than estimated and

slippage of the White space & Vehicle Tracking systems expenditure into 2007-08. This £40,000 will be subject to a request for rollover into 2007-08;

- p. Planning Services expenditure is predicted to be £165,000 underspent owing to costs associated with the Local Development Framework programme, amounting to approximately £217,000, having slipped into 2007-08. This has been counteracted by 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 Section amounting to £52,000. This partly offset underspendings in the departmental estimates;
- q. Expenditure on Homelessness is predicted to be £40,000 less than the revised budget, even though the original budget was drastically reduced as part of the estimate process;
- r. Income is estimated to be a net £85,900 less than predicted which is mainly on Planning and Building Control fees;

HRA

- s. The Direct Labour Organisation is predicted to have a surplus of £51,000 due to additional work undertaken;

CAPITAL

- t. ICT Development is predicted to underspend by £289,000 due to the contact centre integration not taking place because of 3rd party delays and GIS slippage into 2007-08. This will be required to be rolled-over into 2007/08;
- u. Improvement Grants have less than expected due to the slippage of £137,000 of grants into 2007-08: and
- v. House Sales are less than expected which has lead to an overspend of £96,000.

Prudential Indicators

- 12. Prudential Indicators are shown in **Appendix B** and the Council has remained within the set limits for Treasury Management.

Implications

- 13. 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.

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

Consultations

- 15. None.

Effect on Annual Priorities and Corporate Objectives

16.	Affordable Homes	The effect of any under or overspending on the achievement of corporate objectives, annual priorities and performance indicators and the linking of budgets with service performance is an outstanding issue which needs to be addressed.
	Customer Service	
	Northstowe and other growth areas	
	Quality, Accessible Services	
	Village Life	
	Sustainability	
	Partnership	

Conclusions/Summary

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

	Projected (Under) /Overspend
<u>General Fund</u>	
	£
Departmental Accounts	(347,000)
Central Overheads	(74,600)
Refuse Collection & Street Cleansing	(80,000)
Planning Service Expenditure	(165,000)
Homelessness	(40,000)
Net Reduced Income	86,400
Recharge to HRA, Capital etc.	<u>102,000</u>
Predicted Net Underspending for 2006/07	(518,200)
Less Predicted Rollovers	<u>347,000</u>
"True" Underspend	<u>(171,200)</u>
<u>HRA</u>	
DLO Additional work	(51,000)
Recharged Departmental and overhead accounts	<u>(76,900)</u>
Predicted Net Underspending for 2006/07	<u>(127,900)</u>
<u>Capital</u>	
ICT Development	(289,900)
Improvement Grants	(137,000)
Sale of Assets	96,000
Recharged Departmental and overhead accounts	<u>(25,100)</u>
Predicted Net Underspending for 2006/07	(355,100)
Less Predicted Rollovers	<u>426,000</u>
"True" Overspend	<u>70,900</u>

Recommendations

18. Cabinet is requested to:-
 - a. 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;
 - b. Agree to the monitoring of additional expenditure and efficiency savings originating from the (former) Transformation Project becoming part of the CGI update reports, supplemented as appropriate with more detailed reports on the results of individual Business Process Re-engineering exercises.

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

Estimate Book 2006/07,
Estimate Book 2007/08,
Reports from the Financial Management System.

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