

COUNCIL, 19 JULY 2007

MINUTE 25(e)

ANSWER BY THE LEADER OF THE COUNCIL TO A QUESTION ASKED BY COUNCILLOR MRS SA HATTON

Question

“What measures is the Resources Portfolio Holder taking to address the ‘long tradition of underspending’ identified in paragraph 94 of the Corporate Governance Inspection report, and on what dates will/did those measures come into effect?”

Answer

Thank you for this very pertinent question.

A fuller quote from the Corporate Governance Inspection (CGI) report states, “And in spite of capping, the Council is continuing a long tradition of underspending. But, in general terms, the Cabinet has the necessary reporting mechanisms in place to make sound decisions on resources.”

The CGI report was issued in February 2007 and Members will no doubt be aware that the Cabinet recently received a report on Expenditure Outturn for 2006/07 which, yet again, shows a substantial underspending on both the General Fund and the Housing Revenue Account.

In purely financial terms, these underspendings are unacceptable and compare poorly with other councils. The responsibility lies with all cost centre managers in all services of the Council. However, in terms of forward planning, these underspendings are beneficial in so far as they increase our balances and give the Council more resources to meet future spending pressures. The underspendings also demonstrate that spending is not being incurred simply to use up the budget before the year end.

In performance terms, the Council has consistently improved or stayed the same, on more than 50% of the national performance indicators.

A significant element in these underspendings is on salaries, due to delays in filling posts and a reduction of 2%. £242,000 has already been built into the 2007/08 salaries’ budget to allow for vacancies.

A further significant underspending occurs on interest on balances which is generally recognised as being difficult to predict. Now that interest rates have risen, there are more opportunities for making investments of up to five years, which will reduce the uncertainty caused by interest rate fluctuations. The estimate will also, in future, allow for higher cash balances on the assumption that some degree of underspending will continue.

Future measures will include:

- Considering removing the provision for unanticipated expenditure in the Housing Revenue Account estimates for 2008/09, as the consistent underspendings on the account show that more use can be made of virements to cover unanticipated expenditure;

- Closer examination by Council of any requests to incur expenditure outside the budget framework as, again, the underspends clearly show more use can be made of virements;
- Emphasising to all cost centre managers in the forthcoming budget cycle from October 2007 to February 2008 that their estimates must be realistic and achievable;

I am sure that the Resources Portfolio Holder will have our long tradition of underspending in mind when she examines the estimates for 2008/09 as part of the informal scrutiny panel, prior to these estimates being considered by Cabinet in February 2008.