

**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

<b>REPORT TO:</b>	SMT and Finance & Staffing Portfolio Holder	SMT – 19 <sup>th</sup> August 2009 Finance & Staffing PFH – 25 <sup>th</sup> August 2009
<b>AUTHOR/S:</b>	Best Value & Management Accountant	

**FINANCIAL POSITION – APRIL TO JULY 2009 & PROJECTED OUTTURN**

**Purpose**

1. To provide SMT with a monthly position statement on the General Fund, HRA and Capital Expenditure and refer it to the next meeting of the Finance and Staffing Portfolio Holder.

**Executive Summary**

2. The information in this report indicates the following projected (under)/overspends as compared to the working estimates. These are the original estimates as approved by Council on 26<sup>th</sup> February 2009 adjusted for approved virements. The Senior Management Team is requested to consider whether the current target outturn of being within 3% of budget should be maintained and whether virements should be approved on the General Fund when there is a forecast deficit (paragraph 5).

	July's Projected Outturn		June's Projected Outturn	
	£	%	£	%
General Fund	879,700	5.56	311,100	2.03
Housing Revenue Account (HRA)	(28,000)	(0.12)	(14,600)	(0.06)
Capital	(20,300)	(0.19)	(4,500)	(0.04)

3. It should be noted that it has been assumed that 50% of savings currently being identified by managers will not affect this year's saving target. However, this may need to be amended in light of the separate report to SMT at this meeting on the details of these savings.
4. The large change from the previously reported figure is mostly due to the fact that the previously reported position assumed that the balance of the Housing & Planning Delivery Grant at 31<sup>st</sup> March 2009 could be used to offset the Development Control shortfall. However, this has been earmarked to fund posts in 2009/10 and in later years.

**Background**

5. This report provides an update to the Monthly Budgetary Control report to SMT on 15<sup>th</sup> July 2009 and will form part of the Integrated Business Monitoring report to Cabinet on 10<sup>th</sup> September 2009.

6. In previous years, the emphasis has been on ensuring that budgets were spent or re-directed to services where they were needed and could be spent. With the change in the economic climate, the change in the Council's predicted finances and the consequent search for efficiency and other savings, it may be considered more appropriate to abandon the current target of outturn being within 3% of budget such that any underspendings on the General Fund are not vired but go towards meeting the current forecast deficit on the General Fund.
7. In light of the previous years' underspendings the methodology for selecting the areas to be individually reported has been reviewed. The individual budgets identified in **Appendix 1** have been selected on the basis of either the size of the budget, the risk associated with that budget, or on the basis of previous over/under spending.

## **Considerations**

### **Financial Position**

8. A summary position statement is provided at **Appendix 1**.
9. Highlighted below are the significant items.

### **Revenue**

#### **General Fund**

- a. An analysis of the under/over spends for Salary related costs, as compared to the working estimates indicates a net underspend of £66,500 an increased underspend of £56,800 from the June's reported underspend. This is mainly due to anticipated virements being identified to offset overspending areas;
- b. **Land Charges** income is greater than expected and this is predicted £36,000 more than the estimate;
- c. **Development Control Expenditure** is predicted to overspend by £40,000 because of £20,000 additional expenditure on the Wadlow Wind Farm appeal and £20,000 on judicial review costs;
- d. **Development Control income** is lower than estimated owing to the slow down in the housing market and consequential effect on income. The current shortfall equates to a predicted overspend of £400,000. This projection assumes that the current downturn in income will continue for the rest of this financial year. When setting the budget back in January 2009, the assumption then was that income would return to normal levels in the second half of 2009/10 - this now seems unlikely. It has also been assumed that there will be no income this year from pre-application fees which was estimated to be £20,500.

There is expected to be a balance on the Housing & Planning Delivery Grant Reserve of £152,000 at the end of March 2010 and this could be used to partly offset the above projected overspend. However, this has been earmarked to fund current established posts in Planning and other services. If these funds are used to offset the loss of income then other savings would need to be found in later years or met from reserves such that the underlying balance on the General Fund assumed in the Medium Term Financial Strategy of £2.5 million at the end of March 2014 would have to be reduced.

The minimum balance on the General Fund was increased temporarily from £1.5 million to £2.5 million specifically to take account of the uncertainties caused by the economic downturn;

- e. **Building Control** fee income is less than estimated. The current shortfall equates to a predicted overspend of £170,000. However, this will be offset at the end of the financial year by a transfer from reserves;

- f. **Concessionary Fares**  
**2008/09**

The County Council has not yet submitted final invoices for the cost of reimbursing bus operators for 2008/09. Anticipated outturn figures reported previously were based on information provided by the County Council in April at which time invoices for the last two periods of the financial year were still awaited from operators. The County Council provided updated figures at the end of June based on final invoices from all operators, which show the final cost of reimbursement is now expected to be £451,201, £22,700 higher than the previously reported figure thus leading to an overspend in 2009/10.

**2009/10**

A major operator has increased fares for 2009/10 by between 8% and 10% and this will increase the cost of reimbursement for 2009/10. The budget for 2009/10 was set at £588,000 in comparison to £433,000 in 2008/09 to allow for increased passenger journeys resulting from the new park and ride at Milton and the introduction of the guided bus way, plus other potential variations such as fare increases. It is considered to be too early in the year to predict whether this fare increase will result in an overspend of the current budget, but the position will continue to be monitored;

- g. Council has agreed to give a capital grant of £261,000 to the Cambridge Sports Lake Trust re **Milton Country Park**. This grant will be revenue funded but it has been assumed that 50% of this will be offset by a contribution from outside bodies and so £130,500 will fall on this Council;
- h. We are expecting to receive £91,900 **Local Authority Business Growth Incentive** grant which has been assumed to offset current planned expenditure and thus will be a corresponding underspend;
- i. Work is on going within services to identify where the **Savings Target** of £325,000 can be made. The majority of these saving are unlikely to be fully implemented until next financial year, therefore for the purposes of this report it has been assumed that 50% of the target will not be realised in this year. This is therefore an overspend of £162,500. This figure may change depending on the saving report on the agenda of this meeting of SMT;
- j. **Interest on Balances** has an expected shortfall of £300,000 of which £11,500 will be a reduction in interest attributable to the HRA balances. This is due to the rates being lower than those predicted when the budget was set. It should be noted that any further reduction in inflation below the 1%, built into the estimates, should be applied, in the first instance, against this shortfall in interest, as low interest rates are a consequence of low inflation;

### Housing Revenue Account (HRA)

- k. The **Building Maintenance Contractor** is predicted to have a surplus of £2,400 due to the fact that they have won additional work than that budgeted for offset by additional expenditure;
- l. **Supported Housing** is underspent by £50,000 due to vacancies but part of will be recharged to the General Fund, thus giving a net underspend of £35,000;
- m. **Outdoor Maintenance** is expected to underspend by £50,000 due to a reduction in the number of grass cuts and only doing essential other works. Part of this is attributable to the General Fund leaving a net underspend of £25,000;

### Capital

- n. **Acquisition of Existing Dwellings** is lower than expected and is predicted to be £100,000 less than planned;
- o. There has been no **Right to Buy Sales** so far this year. It has been assumed that this will mean a shortfall of £800,000 capital receipts this year but a net £200,000 overspend once the reduced **transfer to the DCLG** is taken into account: and
- p. The HRA Capital Programme allowed for £115,000 of unidentified expenditure. In light of the potential shortfall above, this amount has been used to offset the above.

### **Implications**

- 10. 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.

11.	Financial	As detailed in the report.
	Legal	None.
	Staffing	No immediate impact.
	Risk Management	As Above.
	Equal Opportunities	None.

### **Consultations**

- 12. None.

### **Effect on Strategic Aims**

13.	<b>Commitment to being a listening council, providing first class services accessible to all.</b>
	The effect of any under or overspending on the achievement of corporate aims, service priorities and performance indicators and the linking of budgets with service performance is an outstanding issue which needs to be addressed.
	<b>Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.</b>
	See above

<b>Commitment to making South Cambridgeshire a place in which residents can feel proud to live.</b>
See above
<b>Commitment to assisting provision for local jobs for all.</b>
See above
<b>Commitment to providing a voice for rural life.</b>
See above

### **Conclusions/Summary**

14. The forecast underspend on the General Fund as compared to the working estimates adjusted for approved virements is a net overspend of £1,049,700. Using the balance on the Building Control Reserve will reduce this by £170,000 to give a net overspend of £879,700. This net overspend of £879,700 amounts to 5.56% of Net District Council Expenditure for the financial year ending 2009/10.
15. The HRA predicted underspend of £28,000 equates to 0.12% of gross expenditure.
16. Capital has a predicted underspend of £ 20,300, which is 0.19% of gross expenditure.

### **Recommendation**

17. SMT is requested to
  - a) consider whether the current target of being within 3% of budget should be maintained and whether virements on the General Fund should be approved whilst there is a forecast deficit on the outturn: and
  - b) note the projected expenditure position and refer the report to the next meeting of the Finance & Staffing Portfolio Holder for more detailed consideration.

**Background Papers:** the following background papers were used in the preparation of this report: Original Estimates 2009/10,  
Financial Management System Reports.

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