

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Cabinet 10 September 2009
AUTHOR/S: Executive Director (Corporate Services) / Head of Accountancy

FINANCIAL POSITION – APRIL TO AUGUST 2009 & PROJECTED OUTTURN

Purpose

1. To provide Cabinet with a updated position statement on the General Fund, HRA and Capital Expenditure and refer it to the next meeting of the Finance and Staffing Portfolio Holder for more detailed consideration.

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 February 2009 adjusted for approved virements.

| | August's Projected Outturn | | July's Projected Outturn | |
|-------------------------------|----------------------------|--------|--------------------------|--------|
| | £ | % | £ | % |
| General Fund | 635,600 | 4.11 | 669,100 | 4.36 |
| Housing Revenue Account (HRA) | (22,100) | (0.10) | (28,000) | (0.12) |
| Capital | (38,418) | (0.37) | (20,300) | (0.19) |

Background

3. This report provides an update to the July Financial Position that form part of the Integrated Business Monitoring report.
4. 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.
5. 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

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

8. **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 £36,300 a reduction of £28,200 from the July's reported underspend;
- b. Additional expenditure of £10,000 has been incurred on buying a site-wide licence for the corporate time-recording system. This system is being reviewed to see if a cheaper solution can be found;
- c. **Land Charges** income is greater than expected and this is predicted to be £36,000 more than the estimate;
- d. **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;
- e. **Development Control income** is lower than estimated owing to the slow down in the housing market and the consequential effect on income. The current shortfall equates to a predicted overspend of £400,000. This projection assumes some upturn towards the end of the financial year the financial year but not as great as the that assumed when the estimates were set back in January 2009. It has also been assumed that there will be £5,000 income this year from pre-application fees due to come in to effect on 1st October compared to an estimate of £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 in later years.

In the Medium Term Financial Strategy approved by Council in February 2009, 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;

- f. **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. There may be an increased cost to the General Fund if staff time is reallocated from chargeable to non-chargeable work but this is currently being analysed;

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

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;

- 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 with Corporate Managers to identify where the **Savings Target** of £325,000 can be made. Further work has to be carried out to finalise and report the figures but it has been assumed that the target will be met;
- j. **Interest on Balances** has an expected shortfall of £350,000 of which £13,500 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;

Housing Revenue Account (HRA)

- k. The **Building Maintenance Contractor** is predicted to have a surplus of £700 due to the fact that they have won work additional to the budgeted amount, this is partially offset by additional expenditure to give this net position;
- l. **Supported Housing** is underspent by £50,000 due to vacancies but part of this 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 **pooling payment to the Government** 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

- 9. 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.

| | | |
|-----|---------------------|----------------------------|
| 10. | Financial | As detailed in the report. |
| | Legal | None. |
| | Staffing | No immediate impact. |
| | Risk Management | As Above. |
| | Equal Opportunities | None. |

Consultations

11. None.

Effect on Strategic Aims

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|-----|--|
| 12. | Commitment to being a listening council, providing first class services accessible to all. |
| | 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. |
| | Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all. |
| | See above |
| | Commitment to making South Cambridgeshire a place in which residents can feel proud to live. |
| | See above |
| | Commitment to assisting provision for local jobs for all. |
| | See above |
| | Commitment to providing a voice for rural life. |
| | See above |

Conclusions/Summary

13. The forecast underspend on the General Fund as compared to the working estimates adjusted for approved virements is a net overspend of £805,600. Using the balance on the Building Control Reserve will reduce this by £170,000 to give a net overspend of £635,600. This net overspend amounts to 4.11% of Net District Council Expenditure for the financial year ending 2009/10.
14. The HRA predicted underspend of £22,100 equates to 0.10% of gross expenditure.
15. Capital has a predicted underspend of £38,418, which is 0.37% of gross expenditure.

Recommendation

16. Cabinet is requested to 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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