**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

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| **REPORT TO** | Leader and Cabinet | 10 November 2005 |
| **AUTHOR:** | Finance and Resources Director | |

# MONITORING REPORT AND PRUDENTIAL INDICATORS

## 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 2005-06 financial year and to monitor the indicators under the Prudential Code for Capital Finance in Local Authorities.

## Effect on Corporate Objectives

2.

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| Quality, Accessible Services | This report has no direct implications on any of the Corporate Objectives; however, the expenditure on individual services will have contributed to all of the Corporate Objectives. |
| Village Life | - |
| Sustainability | - |
| Partnership | - |

## Background

3. Normally an outturn position is reported each quarter to Cabinet; however, due to the focus on the capping proposals at the last meeting, the report was postponed until this meeting. This report indicates the preliminary outturn position to 31st October 2005.

4. 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.

## Considerations

5. This report concentrates on the largest expenditure and income budgets. The largest expenditure budgets are the departmental budgets, which now total £16.1 million. 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. When the recharges to the General Fund are added to budgets which have more than £200,000 charged directly, then this accounts for 98% of the total General Fund budget. For the Housing Revenue Account, expenditure on the Repairs Account is by far and away the largest single item. Monitoring expenditure against budget for this heading, together with Sheltered Housing and the recharges referred to above, effectively accounts for 90% of the Housing Revenue Account budget (excluding capital charges).

6. A summary position statement is provided at **Appendix A,** for the budgets referred to above. Comparisons have been made of actual income and expenditure to date with original estimates. The inclusion of a column giving the projected out-turn for the year-end makes for a more meaningful interpretation. A brief commentary forms part of Appendix A and paragraph 8 below highlights those matters requiring Member attention.

7. In compiling this position statement the following factors have been incorporated in forecasting the projected under/overspendings to the original budget:

   a) Capping Savings Proposals;
   b) Additional costs for re-billing and additional recycling service: and
   c) Agreed rollovers.

8. Of the areas identified, the following items are likely to be significantly different from the approved estimates:

   **<u>Revenue</u>**

   **<u>General Fund</u>**

   a) Departmental Salaries are currently £693,000 underspent attributable to vacancies, predominately in the Environmental Health, Development Control, Building Control, ICT and Community Services Divisions. Most of these underspendings were offered up in the capping savings proposals. However, an underspending of approximately £100,000 in Development Control was not included in the saving proposals. The projected underspend for the year would be £1,173,000 to be apportioned over the General Fund and the Housing Revenue Account. Some of these salary savings have been offset by additional spending in respect of Agency Staff and expenditure relating to appointment of staff. These together with additional approved expenditure give a net forecast underspend position of £1,163,000. After deducting capping savings of £1,007,000 there is still a forecast underspend of £56,000;

   b) Planning Services are expected to underspend by £200,000 owing to the slippage of the Local Development Framework programme into 2006/07, which will be required to be rolled-over into that year. Also we have received additional Planning Delivery Grant (PDG), the revenue element of which is £77,746 and are expected to under spend by £40,000 on salary costs associated with PDG work. Any unspent PDG will be transferred to a reserve for use in future years.

   c) Planning Services income is £80,000 lower than expected. Statutory planning fees were increased substantially with effect from April 2005. The income estimate for 2005/06 of £990,720 for planning fees (excluding other planning income) assumed that the volume of planning applications would continue at the same level as 2004/05 when the original estimate for planning fees was £748,000. This was on the basis that planning fees form a small element of the overall cost of any development/improvement scheme and would not be market sensitive. Whilst there has been a steady increase in income from the beginning of the year if this continues then income would still be £140,000 less than anticipated;

   d) Expected interest earned from investing activities is expected to be £129,000 less than originally anticipated mainly due to a shortfall in capital receipts;

**HRA**

e) The DLO on current trends will have a likely favourable variance of £10,000 which will offset the estimated deficit of £185,000 allowed for in the original estimates; giving a net deficit of £175,000 in total;

f) The re-organisation of Sheltered Housing will result in some costs/savings and is the subject of a separate report on this agenda;

**Capital**

g) Gross Capital Receipts are predicted to be £1,500,000 less than the original estimate because Right to Buy property sales are less than anticipated. Most of these capital receipts are subject to pooling with a proportion being paid to the Government: and

h) On the basis of present predictions there is likely to be a £400,000 underspend on the acquisition of existing dwellings. With the increased pooling liability for equity share properties, Usable Capital Receipts are also predicted to be £1,500,000 less.

9. With regard to the Prudential Indicators, see **Appendix B** for details, the Council has remained within the set limits for Treasury Management.

**Financial Implications**

10. As above.

**Legal Implications**

11. None.

**Staffing Implications**

12. Not relevant.

**Risk 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.

**Consultations**

14. None.

**Conclusions/Summary**

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

**General Fund**

| | £ | |
|---|---|---|
| Capping Saving Proposals | (1,651,458) | |
| Reserve List of savings | | (127,500) |
| Planning Delivery Grant (to be transferred to reserve) | | (117,746) |
| Local Development Framework (to be rolled over) | (200,000) | |
| Additional Department Savings | | (133,780) |
| Service Accounts | 256,000 | |
| Roll-overs from 2004/05 | | 138,900 |
| Additional approved expenditure | | 164,750 |
| Predicted Net Under spending for 2005/06 | | (1,670,834) |

**HRA**

| | | |
|---|---|---|
| Recharged Departmental and overhead accounts | (190,000) | |
| HRA Services (Under spend) | (10,000) | |
| Predicted Net Under spending for 2005/06 | | (200,000) |

**Capital**

| | | |
|---|---|---|
| Capital Receipts shortfall in income | 1,500,000 | |
| Shortfall in expenditure on acquisition of existing dwellings. | | (400,000) |
| Predicted Net Overspending for 2005/06 | 1,100,000 | |

16. Members, will note that in aggregate, according to the forecast position, the Authority's General Fund is likely to underspend in the 2005/06 financial year by £1,671,000.This compares to the £1,651,000 budget reductions approved by Council on the 27th October 2005; a net additional underspend of £20,000. This comprises further savings in departmental budgets, less approved additional expenditure and predicted net overspends in Service Accounts.

17. The favourable predicted out-turn on the Housing Revenue Account is largely as a direct result of the General Fund savings exercise, where the HRA stands to benefit from reduced centralised costs.

18. Available Capital receipts at the end of the current financial year are predicted to be £1,100,000 less than originally forecast.

**Recommendations**

19. Cabinet is requested to note the projected expenditure position and the monitoring of prudential indicators.

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

Estimate Book 2005/06 and reports from the Financial Management System


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