

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO

Leader and Cabinet

13 April 2006

AUTHOR:

Finance and Resources Director

MONITORING REPORT AND PRUDENTIAL INDICATORS

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

Effect on Corporate Objectives

2.	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. This report indicates the preliminary outturn position for the 2005-06 financial year and updates the previous report to Cabinet on 12th January 2006.
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have these reports tabled rather than wait for the subsequent meeting, by which time the information would be six weeks out of date.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 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. This year the Authority has faced the unusual situation of having to reduce the original budget, mid year, to satisfy the Government's capping requirement. This capped original budget has been used for comparative purposes in the remainder of this report and consists of the original budget approved by Council in February 2005, less the reductions in the budget approved by Council in October.

Considerations

7. This report concentrates on the largest expenditure and income budgets. The largest expenditure budgets are the departmental budgets, which now total £15.1 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).
8. 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 the capped 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 11 below highlights those matters requiring Member attention.
9. In compiling this position statement the following factors have been incorporated in forecasting the projected under/overspendings to the capped original budget:
 - a) additional costs for re-billing, additional recycling service and consultancy costs relating to the Transformation Project;
 - b) agreed rollovers; and
 - c) the Revised Budgets agreed by Council which incorporate a) and b).
10. Of the areas identified, the following items are likely to be significantly different from the approved estimates:

Revenue

General Fund

- a) Departmental Salaries are underspent attributable to vacancies, predominately in the Environmental Health, Development Control, Building Control, ICT and Community Services Divisions. 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 £540,000;
- b) Central Overheads are underspent by £112,000 due to reduced budgets for telephones and insurance.
- c) The Refuse Collection & Street Cleansing expenditure is predicted to be £37,000 less than originally expected due to slippage of purchase of software and a tracking system which has been offset by increased fuel prices/usage;
- d) 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 additional Planning Delivery Grant (PDG) has been received, the revenue element of which is £77,746 and in addition there is an expected underspend of £40,000 on salary

costs associated with PDG work. Any unspent PDG will be transferred to a reserve for use in future years. Additionally, it is expected that there will be an underspend of £350,000 on enforcement action in respect of travellers sites. This will be required in future years and it is proposed to transfer any balance to a specific reserve;

- e) Planning Services income is currently £49,000 more than originally expected and has moved by £150,000 since the previous report due to receipts in January and March being significantly higher than previous trends indicated;
- f) Corporate Management is expected to be £134,000 more than the capped original budget mainly due to the additional costs relating to: capping; the Transformation Project and unfunded pension payments;

HRA

- g) The DLO on current trends will have a likely favourable variance of £80,000 which will offset the estimated deficit of £185,000 allowed for in the original estimates, giving a net deficit of £105,000 in total;

Capital

- h) Gross Capital Receipts are predicted to be £1.7m 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;
- i) On the basis of present predictions there is likely to be a £357,000 under spend on the acquisition of existing dwellings: and

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

Financial Implications

12. As above.

Legal Implications

13. None.

Staffing Implications

14. Not relevant.

Risk Management Implications

15. 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

16. None.

Conclusions/Summary

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

General Fund

	£
Additional Departmental Savings (Includes £40,000 to be transferred to PDG Reserve)	(539,000)
Central Overheads	(112,000)
Planning Delivery Grant (to be transferred to reserve)	(78,000)
Local Development Framework (to be rolled over)	(200,000)
Enforcement on Travellers Sites (to be transferred to reserve)	(350,000)
Service Accounts	(58,000)
Services Roll-overs from 2004/05	30,000
Services Significant Additional approved expenditure	172,000
Recharge to HRA, Capital etc.	<u>140,000</u>
Predicted Net Underspending for 2005/06	(995,000)
Less Predicted Rollovers or transfers to Reserves	<u>668,000</u>
“True” Underspend	<u>(327,000)</u>

HRA

Recharged Departmental and overhead accounts	(80,000)
Sheltered Housing	(61,000)
HRA Services (Under spend)	<u>(80,000)</u>
Predicted Net Under spending for 2005/06	<u>(171,000)</u>

Capital

Capital Receipts shortfall in income	1,741,000
Shortfall in expenditure on acquisition of existing dwellings.	(357,000)
ICT Slippage into 2006-07	(120,000)
Improvement Grants Rolled-over Expenditure etc.	<u>92,000</u>
Predicted Net Overspending for 2005/06	<u>1,356,000</u>

18. 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 £327,000, net of predicted rollovers or transfer to reserves. This comprises further savings in departmental budgets, less approved additional expenditure and predicted net overspends in Service Accounts.
19. At the time of the last report, January 2006, Members were informed that net of predicted transfers to reserves and rollovers, there was likely to be an overall overspend against the capped budget of £317,000, a difference of £644,000 compared with the current net forecast. The following table analyses the movement between the two reports: -

	£
Departmental accounts increased underspend	(340,000)
Central Overheads underspend	(156,000)
Refuse Collection Slippage	(87,000)
Planning Fees	(158,000)
Reduction in other Income	12,000
Proportion of above attributable to HRA	85,000
Total	(644,000)

20. The favourable predicted out-turn on the Housing Revenue Account is largely a result of slippage of expenditure on redundancies and the DLO tracking system into 2006-07.
21. Available Capital receipts at the end of the current financial year are predicted to be £1,356,000 less than originally forecast.

Recommendation

22. Cabinet is requested to note the projected expenditure position and the monitoring of prudential indicators and to refer the report to the next meeting of the Resources & Staffing Portfolio Holder for more detailed consideration.

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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