

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet
AUTHOR/S: Chief Executive / Chief Accountant

13 July 2006

QUARTERLY MONITORING REPORT AND PRUDENTIAL INDICATORS INCLUDING TRANSFORMATION PROJECT COSTS/SAVINGS

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 first quarter of the 2006-07 financial year and to monitor the indicators under the Prudential Code for Capital Finance in Local Authorities. The report also satisfies the requirement of Council to receive a three monthly report on savings arising from the Transformation Project.

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 expenditure against budget to the 30 June 2006 and is the first of these regular reports for the 2006-07 financial year.
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have these reports tabled rather than wait for the subsequent meeting, by which time the information would be six weeks out of date.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, Information & Customer Services 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. Council on the 23 February 2006 agreed that three monthly reports should be prepared showing the costs/savings from the Transformation Project. This is the first report in satisfaction of that requirement.

Considerations

7. This report concentrates on the largest expenditure and income budgets. The largest expenditure budgets are the departmental budgets, which now total £13.9 million, excluding capital charges. 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. Other General Fund services that have budgeted expenditure or income in excess of £200,000 are also shown separately.
8. A summary position statement is provided at **Appendix A**, for the budgets referred to above. Figures are shown for original estimate, revised estimate and actual income and expenditure to date. The inclusion of a column giving the projected out-turn for the year-end compared to the revised estimate makes for a more meaningful interpretation. A brief commentary forms part of **Appendix A** and paragraph 10 below highlights those matters requiring Member attention.
9. In compiling this position statement the following factors have been incorporated in the revised budget and in forecasting the projected under/overspendings:
 - (a) Agreed rollovers;
 - (b) Agreed/Anticipated Virements: and
 - (c) Increase in Cash Limits for the Local Land Charges System.
10. Of the areas identified, the following items are likely to be significantly different from the approved estimates:

Revenue

Transformation Project

- (a) The 2006/07 estimates for the Transformation Project are part of the Corporate Management budget and include provision for the Business Process Review, Senior Management Team and Project Manager. The estimates were based on figures provided by the consultants, Mouchel Parkman, and were included in the estimates on a payments basis. In closing the accounts for 2005/06, it became apparent that, in order to comply with the Accounting Code of Practice, the cost of any definite decisions made by 31st March 2006 had to be provided for in the 2005/06 accounts. A provision was, therefore, made in last year's accounts for the cost of redundancy, early retirement and compensatory added years lump sums and the first annual payments in respect of the former Chief Executive and the Development Services Director;
- (b) The 2006/07 estimate of £36,250 for the Senior Management Team was a net figure comprising of the leaving costs and salary savings on these two posts and enhanced salaries for the new two person Senior Management Team. The only costs which will now occur in 2006/07 are the salary savings and the salary enhancements so that the original budget of £36,250 net expenditure is revised to £135,260 net income, an underspend in 2006/07 of £171,510 solely due to timing differences. Approximately 25% of this amount will be recharged to the Housing Revenue Account. As the savings from the Transformation Project are needed to balance the Medium Term Financial Strategy, this "underspending" in 2006/07 is not included in the figures quoted in the remainder of this report;

- (c) The only costs incurred in the three month period to 30th June 2006 were recruitment costs for the Project Manager and redundancy costs for one of the four Executive/Personal Assistant posts; and
- (d) In terms of the “steady state” position, which may be more meaningful to Members, (once redundancy, costs associated with early payment of benefits and CAY lump sums have been defrayed) the position can be summarised thus:

		£ savings per annum
Senior Management Team Restructuring		175,000
PA/Secretarial Support		
Restructuring	£60,000	
Less cost of proposed post of Customer Services Project Officer	£30,000	30,000
Total Savings per annum		205,000

On going costs in relation to the appointment of the Transformation Project Manager (one year fixed term contract) and two Business Analyst posts (permanent) amount to £132,000 per annum for the first year and £80,000 per annum thereafter.

General Fund

- (e) After management action, Departmental Salaries are currently £53,870 underspent attributable to vacancies, predominately in the Environmental Health and Development Services Divisions;
- (f) The Refuse Collection & Street Cleansing expenditure is predicted to be £20,000 less than the revised estimate owing to the tracking system roll-over of £41,000, on the basis of quotes received to date, only being partially used;

HRA

- (g) The Housing Repairs budget is currently overspent on Change of Tenancies. This is being actively managed to ensure that the net position, offsetting any DLO trading surplus relating to this extra activity, remains within the original estimate and approved additions;

Capital

- (h) For the 2006/07 financial year as a whole, Gross Capital Receipts are predicted to be £0.5m more than the original estimate because Right to Buy property sales in the first quarter exceeded expectations; £807,000 instead of £600,000. These capital receipts are subject to pooling with a proportion being paid to the Government so the net position after the 75% set aside and 75% transitional relief (Combined 56.25%) is £218,750: 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:

	Projected (Under) / Overspend £
General Fund	
Departmental Account Salaries	(53,870)
Refuse Service Tracking System predicted underspend	(20,000)
Recharge to HRA, Capital etc.	<u>7,800</u>
Predicted Net Underspending for 2006/07	<u>(66,070)</u>
HRA	
Recharged Departmental and overhead accounts	<u>(7,700)</u>
Predicted Net Underspending for 2006/07	<u>(7,700)</u>
Capital	
Recharged Departmental and overhead accounts	(100)
Right to Buy-Sales greater than predicted	<u>(218,750)</u>
Predicted Net Underspending for 2006/07	<u>(218,850)</u>

Recommendations

18. 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, Information & Customer Services Portfolio Holder for more detailed consideration.

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

Estimate Book 2006/07 and reports from the Financial Management System

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