

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 13 November 2008
AUTHOR/S: Chief Executive/Corporate Manager, Finance & Support Services

FINANCIAL POSITION – APRIL TO OCTOBER 2008 & PROJECTED OUTTURN**Executive Summary**

1. The information in this report indicates the following outturn (under)/overspends for 2008/09. These figures are projections from the position at the end of October as compared to the working estimates. These are the original estimates as approved by Council on 28th February 2008 adjusted for approved virements and roll-overs. Below is a summary of October's projections and for comparative purposes the corresponding September's projections.

| | 31/10/08 | | 30/09/08 | |
|-----------------------------------|-----------|--------|----------|--------|
| | £ | % | £ | % |
| (a) General Fund | 42,800 | 0.30 | 36,600 | 0.26 |
| (b) Housing Revenue Account (HRA) | (114,800) | (0.53) | (47,700) | (0.21) |
| (c) Capital | (463,700) | (7.27) | (23,500) | (0.37) |

Background

2. This report provides an update to the September financial position that forms part of the Integrated Business Monitoring report (Item 11 on this agenda).
3. In light of the previous year's underspending the methodology for selecting the areas to be individually reported has been reviewed. The individual budgets identified in **Appendix A** 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**

4. A summary position statement is provided at **Appendix A** and a more detailed breakdown of the Departmental Salary underspends is provided at **Appendix B**.
5. Highlighted below are the significant items.

Revenue**General Fund**

- a. In the items below a number of areas have predicted overspends many of which are attributable to economic pressures. Cost Centre Managers will continue to work with Accountants to minimise the impact of these pressures;

- b. An analysis of the under/over spends for Salary related costs, as compared to the working estimates, is attached in **Appendix B**. which indicates a net underspend of £4,800; a £15,700 reduction in the predicted underspend from that reported in September. This is because of additional recruitment costs and virements;
- c. Land charges income is currently £27,100 less than the profiled budget and if this continues for the rest of the year there will be a shortfall of £58,900. If the housing market downturn has an increasing impact, this figure could rise; however, this is difficult to predict;
- d. Net HRA Recharges are expected to be less than originally estimated because of the contribution from the General Fund to supported housing not having to be as much as originally estimated owing to the predicted underspend on that service;
- e. Development Control has incurred significant expenditure in respect of the appeals re Arbury Park & West Wickham. Employment of consultants to give advice on current applications, because of vacancies in the Development Control Section, has also increased expenditure. It is estimated that this will lead to a projected overspend of £58,000 but no allowance has been made for any further expenditure on appeals that are not currently on-going;
- f. Development Control income is lower than estimated owing to the slow down in the housing market and consequential effect on major developments. The current shortfall equates to a predicted overspend of £175,000;
- g. Data from the bus operators indicates the 2008/09 budget is estimated to underspend by £180,000, after making adjustments for the future transfer of Cowley Road Park & Ride Site into our boundary;
- h. Planning policy currently has a negative expenditure position owing to the fact that accruals for planning inspector's fees were allowed for in 2007/08 and to date we have not received any invoices. A budget of £20,000 for Joint Working & Statutory Consultation was included in the 2008/09 budget but will not now be spent this year leading to an underspend of £20,000. However, this sum will be needed in 2009/10 and therefore will be a rollover request;
- i. Council Tax Summons income is 15% lower than the same period in the last financial year. This is because customer payment patterns have improved resulting in fewer summonses being issued. It is now estimated that there will be a shortfall of approximately £25,000 against the income target;
- j. Of the £110,000 provision for the Pay and Grading Review allowed for in the original estimates, part of which was rolled-over from 2007/08, £70,900 will not now be needed in 2008-09 and therefore will be the subject of a rollover request;
- k. The Efficiency target for 2008/09 was £369,000. When the original budgets were set, £153,100 of savings were identified and taken out of those budgets bringing the target down to £215,900. Since that date further savings have been identified, which will be taken out of budget headings and have been reflected in this report. This leaves a current shortfall of £128,400. A progress report goes to SMT every month and work is on-going to identify further savings to meet this shortfall;

- l. Interest on balances is predicted to be £185,000 greater than the estimate. This is because of increased working balances and delays in assumed rate cuts, which meant that investments achieved higher rates than those originally assumed. Base rate cuts have also not necessarily translated into reduced market rates because of the banking sector's liquidity problems. The decrease from September's figure is because of the recently announced 1.5% rate cut, which has been factored into anticipated future interest receipts;

Housing Revenue Account (HRA)

- m. The in-house Building Maintenance Contractor (DLO) is currently predicted to overspend by £57,800. This is attributable to fuel price rises, long term sickness, additional expenditure on the implementation of the electronic materials ordering/invoicing system and the inflation uplift on the repairs contract only being 2.3% whilst actual costs are increasing by 4.6%. A review of costs has been undertaken to reduce future expenditure. Further savings initiatives are being explored in order to reduce this figure;
- n. Supported Housing salaries are currently underspent by £30,000 because of vacancies, which have now been appointed to. This is offset by an overspend on repairs to give a net underspend of £26,600. Additionally, income is expected to be greater than expected by £23,400;
- o. Rent Income is currently £70,000 greater than that budgeted. Because this can vary considerably it has not been assumed that this will continue in future periods. This position will be monitored and updated in future reports;

Capital

- p. The ICT Development Programme for HR/Payroll, Land Charges and the Contact Centre, in total £236,000, has slipped into 2009/10 because of resources not being available to progress the original programme and delays with suppliers. These are projected to be required in 2009/10 and will be subject to a rollover request. Additionally, there is a £26,000 saving on procurement of systems;
- q. There have been only three Right To Buy sales so far this year, which could be attributable to the economic climate. It is estimated the net receipts from Right To Buy sales will be £1.4m less than the original budget. However, owing to the national pooling arrangements this is offset by a reduction in the amount payable to Central Government of £1.2m giving an approximate shortfall of £200,000;
- r. To date there have been receipts for sale of assets, totalling £384,000, which were not budgeted for. This is mainly in respect of a commercial property, which was originally expected to be sold to a Housing Association for a nominal amount, but owing to a lack of interest was sold on the open market resulting in a higher receipt.

Implications

- 6. 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.

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| 7. | Financial | As detailed in the report. |
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| Legal | None. |
| Staffing | No immediate impact. |
| Risk Management | As Above. |
| Equal Opportunities | None. |

Consultations

8. None.

Effect on Corporate Objectives and Service Priorities

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|----|--|---|
| 9. | <p>Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future</p> <p>Deliver high quality services that represent best value and are accessible to all our community</p> <p>Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work</p> | <p>The effect of any under or overspending on the achievement of corporate objectives, service priorities and performance indicators and the linking of budgets with service performance is an outstanding issue which needs to be addressed.</p> |
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Conclusions/Summary

10. The forecast overspend on the General Fund as compared to the original estimates adjusted for approved virements and roll-overs is a net overspend of £42,800 which amounts to 0.30% of Net District Council Expenditure for the financial year ending 2008/09.
11. It should also be noted that some of the predicted overspending areas relate to current economic conditions, which have either resulted in increased costs e.g. fuel, or reduced income because of the housing market.
12. The HRA predicted underspend of £114,800 equates to 0.53% of total expenditure.
13. Capital has a predicted underspend of £463,700, which is 7.27% of net expenditure. However, when the programme items that have slipped into 2009/10 are excluded, this underspend is reduced to £227,700 3.57% of net expenditure.

Recommendation

14. Cabinet is requested to note the projected expenditure position and to refer the report to the next meeting of the Finance Portfolio Holder for more detailed consideration.

Background Papers: the following background papers were used in the preparation of this report: Estimate Book 2008/09,
Financial Management System Reports.

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