

# Corporate Financial Monitoring

## December 2011 | Quarter 3

Report of the Head of Financial Services  
Corporate PRT meeting | 08 February 2012

### HEADLINE INFORMATION

<b>REVENUE (as at December 2011)</b>	<b>Current (Underspend) / + Overspend £'000</b>	<b>Projected (Underspend) / + Overspend £'000</b>	<b>Future Years Projection (Underspend) / + Overspend £'000</b>
<b>General Fund</b>	<b>(119)</b>	<b>(59)</b>	<b>--</b>
<b>Housing Revenue Account (HRA)</b>	<b>+1</b>	<b>0</b>	<b>--</b>

# CORPORATE FINANCIAL MONITORING

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December 2011 | Quarter 3

## 1. INTRODUCTION

This monitoring report of expenditure and income for 2011/12 sets out an indicative corporate picture of the Council's financial performance relating to the period ending 31 December 2011.

The report summarises the variances reported through Services quarterly PRT meetings, and also identifies any omissions, updates and/or actions required. In addition there are specific sections for salary monitoring, capital expenditure and financing, Housing Revenue Account (HRA), revenue collection performance and Insurance and Risk Management.

It should be noted that this quarter's monitoring is based on the Revised Budget.

## 2. GENERAL FUND REVENUE MONITORING

### 2.1 General Fund Summary Position

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The current overall General Fund summary position shows that at the end of December there is a net underspend of **£119K** against the revised budget. This is currently forecast to reduce to **£59K** by the end of the year.

<b>VARIANCES</b>	<b>Current £000's</b>	<b>Current Year Projection £000's</b>	<b>Future Years Projection £000's</b>
Major Variances (see section 2.2)	(119)	(59)	--
Salaries (see sections 2.3)	--	--	--
<b>ESTIMATED OUTTURN / IMPACT ON FUTURE YEARS</b>	<b>(119)</b>	<b>(59)</b>	<b>--</b>

One of the key financial indicators is to keep any under or overspends within 2% of the overall net controllable revenue budget, and the following table shows that at the end of December this has been achieved.

<b>Net Controllable Budget</b>	£000's <b>22,608</b>
2% Target	+/( ) 452
<b>Provisional Controllable Net Underspend</b>	<b>(54)</b>
Percentage of Net Controllable Budget	0.23%

As set out in the Medium Term Financial Strategy, Cabinet has no authority to increase net spending above the net revenue budget. Whilst the overall position may not be projected to breach this position, this does not remove the need to consider specifically whether any actions can or should be taken to address particular areas of overspending that may be outlined in this report.

## 2.2 Major Budget Variances

**Appendix A** details the major true variances identified to date that have been included within individual Services' PRT reports. The variances reported are either +/- £5K in value and cover premises, transport, supplies and services and general income. A summary is provided in the following table.

<b>SUMMARY BY SERVICE</b>	<b>Current £000's</b>	<b>Current Year Projection £000's</b>	<b>Future Years Projection £000's</b>
<b>REPORTED VARIANCES :</b>	<b>( ) Favourable / + Adverse</b>		
Environmental Services	(67)	(67)	--
Financial Services	(68)	(13)	--
Regeneration and Policy	+16	+21	--
	<b>(119)</b>	<b>(59)</b>	<b>--</b>
<b>VARIANCES NOT REPORTED TO PRT MEETINGS :</b>	--	--	
None			--
<b>TOTAL VARIANCES</b>	<b>(119)</b>	<b>(59)</b>	<b>--</b>

As part of the 2010/11 outturn process Services were asked to identify the key factors influencing variances and this has now been continued into the PRT financial monitoring process. The following table provides an analysis of these variances and Appendix A shows how each variance has been initially categorised.

<b>FACTORS INFLUENCING VARIANCES</b>	<b>Variances to Date £000's</b>	<b>Current Year Projection £000's</b>	<b>Future Years Projection £000's</b>
Unforeseeable windfalls or costs	--	--	--
Demand led variances	(51)	(46)	--
Efficiency savings	--	--	--
Other service driven variances (incl delays)	--	--	--
Budget setting issues / errors	--	--	--
Other variances	(68)	(13)	--
<b>TOTAL</b>	<b>(119)</b>	<b>(59)</b>	<b>--</b>

## 2.3 General Fund Salary Monitoring

There are no variances to report at the end of December as the revised budgets have been profiled in accordance with actual spend. A full review of all staffing budgets has been undertaken as part of the budget process and all salary savings have been incorporated into the revised budget.

## 3 GENERAL FUND CAPITAL PROGRAMME

### 3.1 Capital Expenditure

At the end of December there was spend and commitments of £3.273M against the programme of £6.421M, which has been updated for slippage from 2010/11 (approved in July) and a number of new schemes. Details of the changes during the year are as follows:

<b>Approved Programme (Council 02 March 2011)</b>	<b>£000's</b>
	<b>5,765</b>

Slippage from 2010/11 (Cabinet 26 July 2011)	899
<b>New Schemes approved under S151 Officer delegation:</b>	
Heysham Village Phase 2 Play Area – externally funded (April 2011)	46
White Lund transport link works – s106 payment to County Council (May 2011)	76
Clay Pitts Recreation / Play Facilities Development – s106 funded (July 2011)	140
Recycling at Mainway Estate (Sept 2011; following carry forward approval)	34
Salt Ayre Sports Centre – Swimming Pool Hydraulic Floors	45
<b>Cabinet Approvals</b>	
Morecambe FC Footpath Works - s106 funded (26 July 2011)	69
Links to Schools - Sustrans Grant (26 July 2011)	146
Warm Homes Scheme – PRG (26 July 2011)	100
West End Temporary Car Park	19
Invest to Save – photovoltaic cells	750
<b>Budget Process Review (Subject to Cabinet Approval)</b>	
Reprofiling of Schemes into 2012/13 (mainly municipal building works)	(1,668)
<b>Updated Programme</b>	<b>6,421</b>

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### 3.2 Capital Financing

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#### Capital Receipts

A total of £7.627M is required to finance the 2011/12 capital programme with any additional receipts reducing the Council's underlying need to borrow. That being said, as previously reported to Members, due to a judicial review application on the planning decision associated with the sale of land at South Lancaster there is a possibility that this capital receipt may be delayed, which in turn would increase the Council's overall need to borrow to finance the capital programme. As a precaution, an estimate of the cost of this delay has been allowed for in next years budget but the exact impact will not be known until the result of the judicial review is known.

## 4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

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### 4.1 HRA Revenue Position

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At the end of December the position for the Housing Revenue Account shows a slight adverse variance of **£1K** against the profiled budget, which is in respect of housing rent collection as shown below.

### 4.2 Council Housing Rent Collection

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At the end of December rent income is slightly below the profiled estimate.

<b>Total Estimate for Year</b>	<b>£12,512,300</b>
Profiled Budget	£9,382,400
Actual to Date	£9,381,600
<b>Difference</b>	<b>+£800</b>

### 4.3 Council Housing Capital Programme

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This section analyses actual spend against the Council Housing Capital Programme at the end of December. To date spend and commitments total £2.637M against a budget of £3.760M (including 2010/11 slippage approved in July and a £20K increase to Boiler Replacement Scheme approved under S151 Officer delegation) leaving a balance of £1.123M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	250	210	40
Energy Efficiency / Boiler Replacement	565	334	231
Bathroom / Kitchen Refurbishment	1,034	646	388
External Refurbishments	1,331	1,018	313
Environmental Improvements	421	321	100
Rewiring	85	55	30
Fire Precaution Works	7	7	0
Choice Based Lettings	67	46	21
<b>TOTAL</b>	<b>3,760</b>	<b>2,637</b>	<b>1,123</b>

## 5 REVENUE COLLECTION PERFORMANCE

### 5.1 Council Tax & Business Rates

In year collection performance for both Council Tax and NNDR compares favourably with the same period last year. It is still pleasing to report that overall performance is still being maintained, given the level of financial savings achieved in service delivery.

Percentage Collected	2010/11 %	2011/12 %	2011/12 Target %	2011/12 Actual %	Status
	<b>All Years</b>		<b>In Year</b>		
Council Tax	80.28	79.91	97.2	86.23	On Target
Business Rates	85.38	88.39	98.7	88.92	On Target

### 5.2 Collection Fund Monitoring

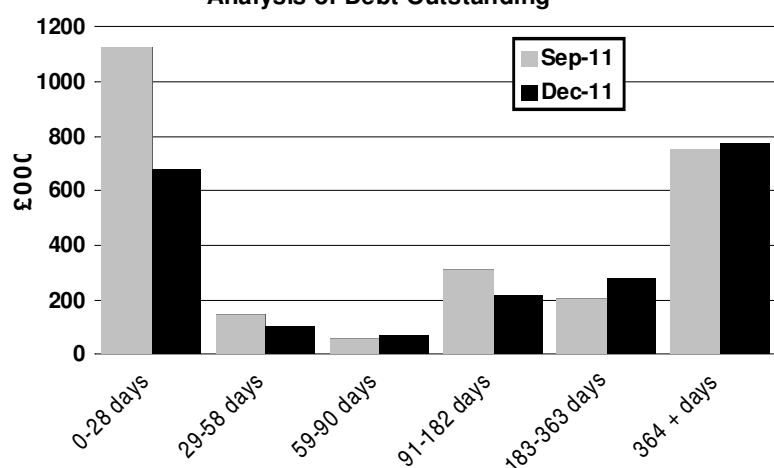
This section sets out the latest position on the Collection Fund, in particular in relation to Council Tax. Whilst the above section looks at collection performance, this section shows the current surplus or deficit on the Fund. It basically compares the amounts collectable with the Precepts levied by the relevant authorities after allowing for refunds, bad debt provisions, income collected and Council Tax benefits. The monitoring shows that as at the end of December the Fund was in surplus by £180K, but it should be noted that the surplus can fluctuate significantly month by month.

Any surplus or deficit is shared between the relevant precepting bodies and the City Council's element equates to 13% and would therefore be £23K. However, the position has formally be assessed in January, when the Council Tax base for 2012/13 was set, and a surplus of £72K has been forecast for 2011/12 which equates to £9K for the City Council. This surplus has been built into the Council Tax projections for 2012/13.

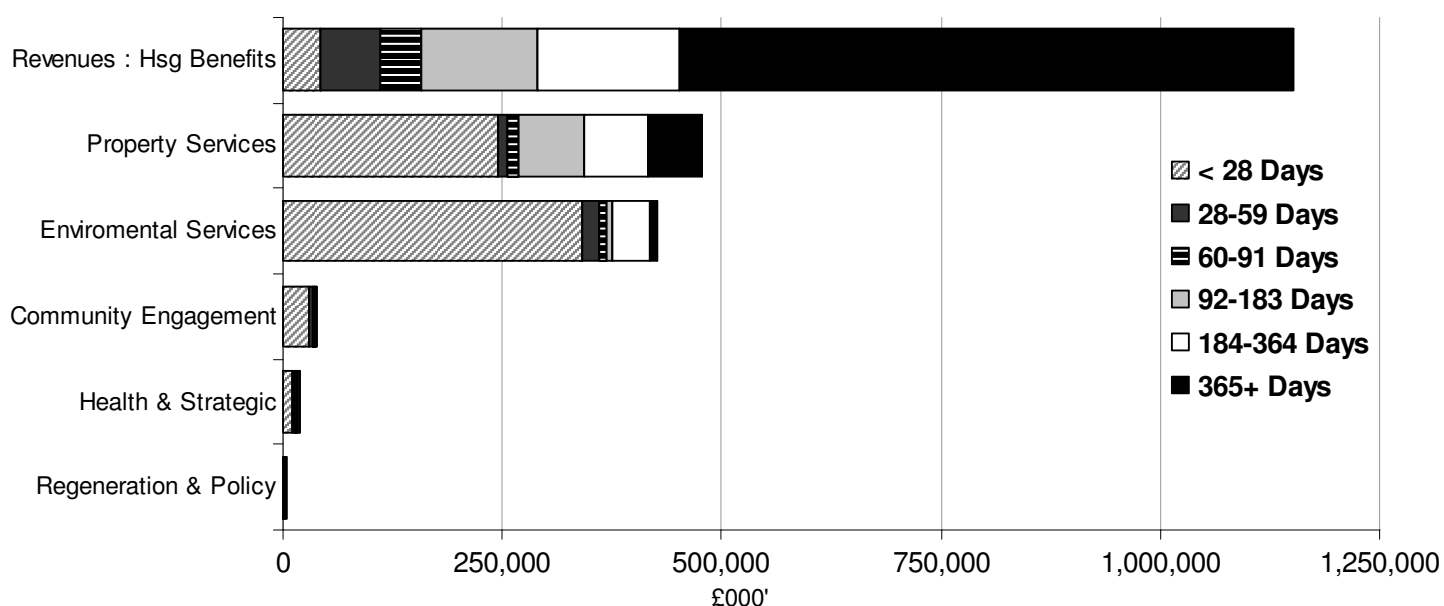
### 5.3 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of December the total debt outstanding was just over £2.1M, which is £478K less than the previous quarter. The level of debt over 1 year old has increased in the last quarter to 36% (29% last quarter) of the total outstanding debt.

### Analysis of Debt Outstanding



	Sept 11	Dec 11
	£000's	£000's
0-28 days	1,125	675
29-58 days	147	105
59-90 days	60	72
91-182 days	312	215
183-363 days	204	283
364+ days	755	775
	<b>2,603</b>	<b>2,125</b>
Previous Year	1,961	2,028



## 6 PROVISIONS AND RESERVES

This section provides and update on key provisions and reserves.

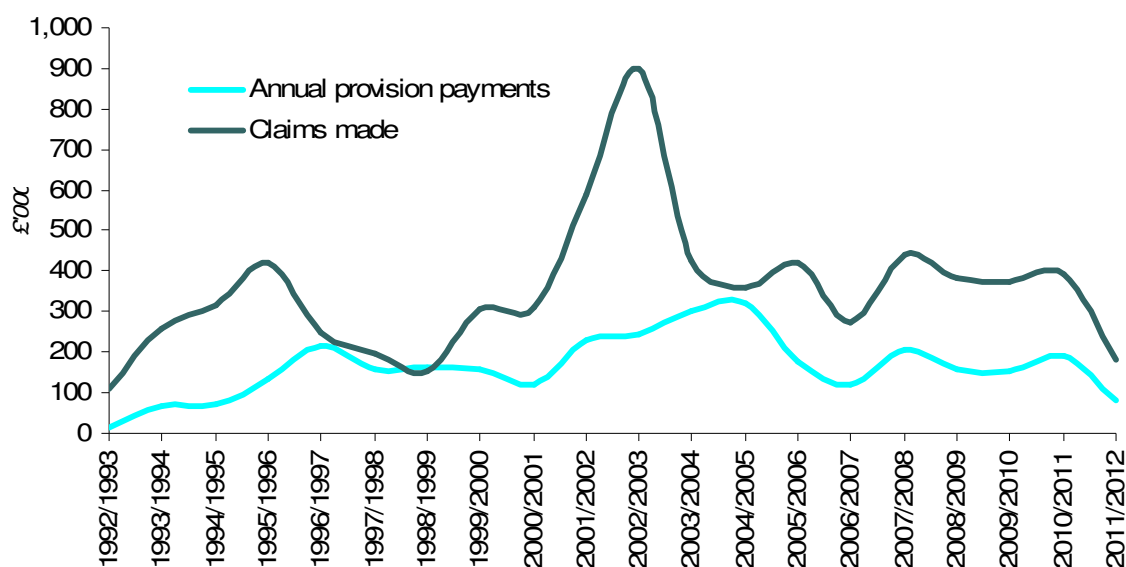
### 6.1 Insurance Provision

The current balance on the insurance provision is £306K, after making net payments of £106K in settlement of claims made.

At present, the Council's insurers estimate that the value of claims outstanding is £300K, which relates to a total of 212 claims made over a 13 year period. This estimate assumes that all these claims will be settled at the maximum reserve limit; however, recent statistics show that, on average, only 58% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £174K, which is £132K less than the current provision. There are no proposals to reduce the provision at this stage until the outcome of the current insurance retendering exercise is completed as it is anticipated premiums will increase significantly. Therefore the next formal review will be undertaken as part of the 2011/12 closedown process.

It is highly unlikely that all these outstanding claims will fall due for payment in the same financial year, but the uncertain nature of insurance claims payments means that accurate predictions are difficult. Nonetheless, the overriding principle is that the Council must make reasonable provision for all its known liabilities.

## Analysis of claims made, paid and outstanding by year.



## 6.2 Bad Debt Provision

The Bad Debt provision is formally reviewed half yearly at revised estimate time and closedown. In addition, quarterly updates are now provided as part of the Corporate Monitoring process.

The level of the provision has been assessed based on assumed levels of write-off as a proportion of debt outstanding. Based on the figures shown in section 5.3 the level of provision would be as follows:

Period	Debt £000's	% Cover Required	Value £000's
Up to 1 Month	675	1%	7
1 Month to 3 Months	177	5%	9
3 Months to 365 Days	498	10%	50
Over 365 Days	775	50%	387
<b>TOTAL</b>	<b>2,125</b>		<b>453</b>

The current balance on the General Fund Bad Debt provision is £484K which is £31K above the requirement indicated, but that is after allowing for this year's contribution of £100K. Given that the majority of sundry debts relate to housing benefit overpayments, the planned welfare reforms could well have a major bearing in future. There are no proposals to amend the current level of the provision.

## 6.3 Other Major Reserves

As part of the budget process all reserves have been (or will be) reviewed and the outcome reported to Members. There are no other issues to highlight.

## 7 RISK MANAGEMENT

All known financial risks have been covered through the budget process to date. At this stage there are no other new risk areas to report on.