

# Corporate Financial Monitoring

## March 2008 | Quarter 4

Report of the Head of Financial Services  
Corporate PRT meeting | 21 May 2008

### HEADLINE INFORMATION

REVENUE OUTTURN	Current Underspend	Projected Underspend	Projection After Carry Fwd Requests
General Fund	(£621,000)	(£524,000)	(£442,000)
Housing Revenue Account	(£49,000)	(£77,000)	Nil

The above projections are subject to Carry Forward approvals and a review of Provisions and Reserves.

# CORPORATE FINANCIAL MONITORING

March 2008 | Quarter

## 1. INTRODUCTION

This monitoring report of expenditure and income for 2007/08 sets out an indicative corporate picture of the Council's financial performance relating to the period ending March 2008 (*week 52*). The report only provides a snapshot of the financial position as at the end of March and many year end processes are still being finalised, hence the figures could still change significantly. A more accurate statement will be produced in July, once the final accounts have been produced.

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, revenue collection performance and Insurance and Risk Management. Note, however, that the closure of accounts requirements and Financial Regulations and Procedures already provide for specific reporting and actions to be addressed, e.g. re overspending etc.

## 2. GENERAL FUND REVENUE MONITORING

### 2.1 General Fund Summary Position

The current overall general fund summary position shows that at the end of March there is a net underspending of **£621,000** against the revised budget. Taking into account further known year end transactions this underspend will reduce to **£524,000**. However, of this total £82,000 has already been requested to be carried forward. In addition the review of reserves and provisions will be undertaken as part of the closure of accounts process. At this point in time, however, the projected net underspend after allowing for carry forward requests is £442,000, subject to approval and any further changes following the closedown process.

As mentioned above, a more accurate position will be known at the end of the final accounts process. Attention is drawn also to the Local Authority Business Growth Incentive (LABGI) grant position highlighted on Appendix A under Financial Services.

<b>VARIANCES</b>	<b>Current £000</b>	<b>Projected £000</b>
Major Variances (see section 2.1)	(437)	(340)
Salaries (see section 2.3)	(184)	(184)
<b>Sub Total</b>	<b>(621)</b>	<b>(524)</b>
Carry Forward Requests	--	+82
Review of Reserves / Provisions	--	??
<b>ESTIMATED OUTTURN</b>		<b>(442)</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 this has been achieved based on the provisional outturn position.

	£000
<b>Net Controllable Budget</b>	<b>24,358</b>
2% Target	+/( ) 487
<b>Provisional Controllable Net Underspend</b>	<b>(306)</b>
(after carry forward requests)	
Percentage of Net Controllable Budget	1.26%

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## 2.2 Actions Arising from Previous Quarter

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There was only one action arising from the Qtr 3 Corporate Monitoring Report, which was for the Head of Cultural Services and Head of Financial Services to review Festivals and Events spend and income for 2007/08. As the outturn has yet to be finalised it has not been possible to complete this exercise, and will it therefore be reported as part of the Qtr 1 2008/09 Corporate Monitoring Report.

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## 2.3 Major Budget Variances

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**Appendix A** details the major true variances 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.

SUMMARY BY SERVICE	Current £000	Projected £000
<b>REPORTED VARIANCES :</b>		
Management Team	(22)	(22)
Legal & Human Resource	(89)	(89)
Democratic Services	(6)	(6)
Information & Customer Services	(70)	(70)
Financial Services	(109)	(32)
Revenue Services	(19)	(19)
CC(D)S	(153)	(98)
Property Services	+8	(39)
Cultural Services	+22	+22
Planning Services	(55)	(43)
Health & Strategic Housing	+31	+31
	<b>(462)</b>	<b>(365)</b>
<b>VARIANCES NOT REPORTED :</b>		
Cultural Services : The Dome	+25	+25
<b>TOTAL NET UNDERSPEND</b>	<b>(437)</b>	<b>(340)</b>

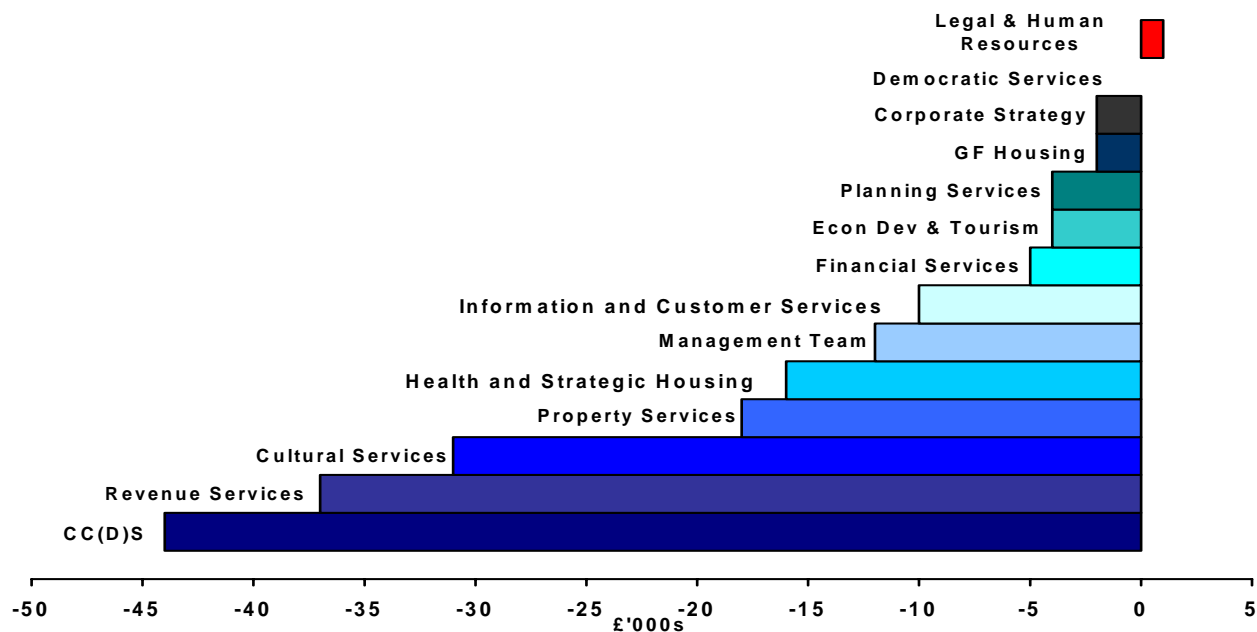
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## 2.4 General Fund Salary Monitoring

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Salary monitoring has been reported separately as there are a number of small variances that fall below the threshold for major items, however their aggregate effect is fairly significant.

To date savings of £184K have been achieved against the revised budget. The majority of savings have been generated within Refuse Collection (£44K), Revenues (£37K) and Cultural Services (£31K). The following graph shows the savings on a Service by Service basis.



### 3 GENERAL FUND CAPITAL PROGRAMME

#### 3.1 Capital Expenditure & Financing

##### Capital Expenditure (General Fund)

In February 08 Council approved a revised capital programme of £18.455M. This has subsequently been increased by £311K to £18.766M under the delegated authority given to the Head of Financial Services by Audit Committee in September 07. The increases relate to the following schemes :

**Mellishaw Park Improvements** £45K  
(Funded from Lancashire County Council)

**Dukes Theatre Improvements** £266K  
(Funded by NWDA)

At present, the total spend for the year is £12.450M leaving a balance of £6.316M against the latest approved programme. At present, officers are finalising the capital accounts, therefore an analysis of scheme over/under spends is not available. In addition, further slippage requests are being collated and will be presented for approval at a later stage, at which point the overall capital programme position will be reported in detail. The high level of anticipated slippage has previously been highlighted and there is already an action to report in more detail once the outturn is known.

##### Capital Receipts (General Fund)

At the end of March the total value of receipts received was £2.158M against a requirement of £2.190M. This is £32K short, however the overall impact of this will not be determined until the final accounts process concluded. Again, arrangements are in hand to report.

## 4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

### 4.1 HRA Revenue Position

At the end of March the position for the Housing Revenue Account shows an underspend of £49K against the revised budget, which is currently projected to increase to £77K by the year end. However, several carry forward requests totaling £93K have been identified, which would be subject to Member approval. It should be noted that the approvals cannot exceed the level of underspend, therefore only a total of £77K can go forward. If approved, this would leave the HRA in a break even position at the year end.

	Variances to Date	Project to Yr End	Comments
	£000	£000	
Estate Support	+69	+69	Various additional costs relating to cleaning, electricity, leases and overtime.
Grounds Maintenance	(11)	(11)	Fewer schemes than anticipated.
Beck View - Electricity	(7)	(7)	Credit refund on current & previous readings.
Insurance Repairs	+17	+17	Uncontrollable budget – higher level and value of claims.
Rechargeable Repairs	+50	+22	Uncontrollable budget – fewer recharges than anticipated. Work in progress will reduce final balance to £22k.
Responsive Maintenance	(47)	(47)	Task system upgrade deferred – carry forward request.
Telecare – Service Chrgs	(5)	(5)	New service, higher than anticipated income.
Central Control - printing	(6)	(6)	Saving subject to carry forward request.
Management & Admin	(55)	(55)	Various savings subject to carry forward requests of £40k.
Responsive M'tce : Fees	(19)	(19)	Septic tank recharges.
Council House Rents	(35)	(35)	See below.
<b>Total</b>	<b>(49)</b>	<b>(77)</b>	

### 4.2 Council House Rent Collection

This section analyses the Council Housing rent income due, and shows that the income collected for the year is £35K more than estimated, which is a variance of only 0.3%.

	2006/07	2007/08
	£	£
Estimate	(10,200,500)	(10,612,500)
Actual	(10,238,400)	(10,647,000)
<b>Difference</b>	<b>(37,900)</b>	<b>(34,500)</b>

### 4.3 Council Housing Capital Programme

This section analyses actual spend and commitments against the Council Housing Capital Programme to the period ended March 2008. Overall, there has been an underspend of £751K against the revised programme of £3.542M. This represents 21% of the overall programme, and the main areas affected are Bathroom / Kitchen refurbishments and External Refurbishments (as highlighted in the following table).

The outturn position is still subject to slippage requests, however the overall underspend will be investigated and reported back to Members as part of the slippage approval process.

	Latest Approved Programme £000	Spend to Date £000	(Under) / (+) Over Spend £000
Adaptations	200	206	+6
Bathroom / Kitchen Refurbishment	955	596	(359)
External Refurbishment	1,547	1,200	(347)
Ryelands Regeneration	-	25	+25
Re-Rendering Carnforth	-	23	+23
Environmental / Crime Prevention	335	322	(13)
Extractor Fans	80	6	(74)
Energy Efficiency Works	425	413	(12)
<b>TOTAL</b>	<b>3,542</b>	<b>2,791</b>	<b>(751)</b>

## 5 REVENUE COLLECTION PERFORMANCE

### 5.1 Council Tax & Business Rates

This section analyses the Council Tax and Business Rate collection statistics. It is pleasing to report that in year performance has improved by 0.3% for Council Tax and 0.15% for NNDR.

Percentage Collected	2006/07 %	2007/08 %	2006/07 %	2007/08 %
	<b>All Years *</b>		<b>In Year **</b>	
Council Tax	92.36	92.65	96.50	96.80
Business Rates	99.39	99.08	99.15	99.30

\* Calculated by taking the total cash collected, less refunds, as a percentage of total net collectable (including previous years arrears brought forward)

\*\* Calculated by taking the net amounts paid in year as a percentage of the total collectable just for 2007/08.

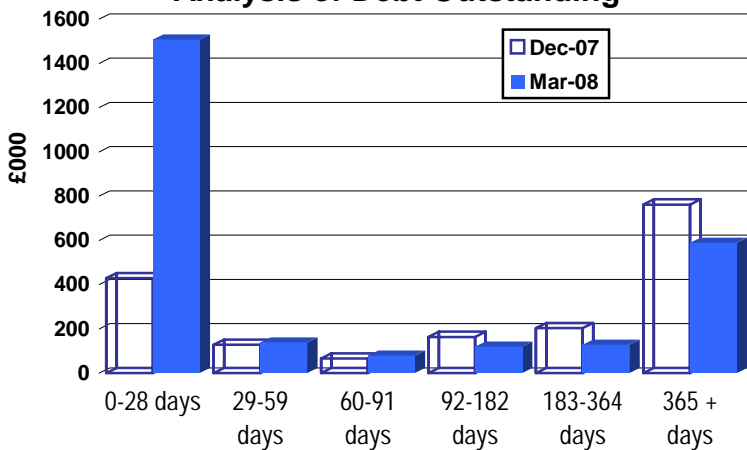
### 5.2 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts. At the end of March the total debt outstanding was £2.6M.

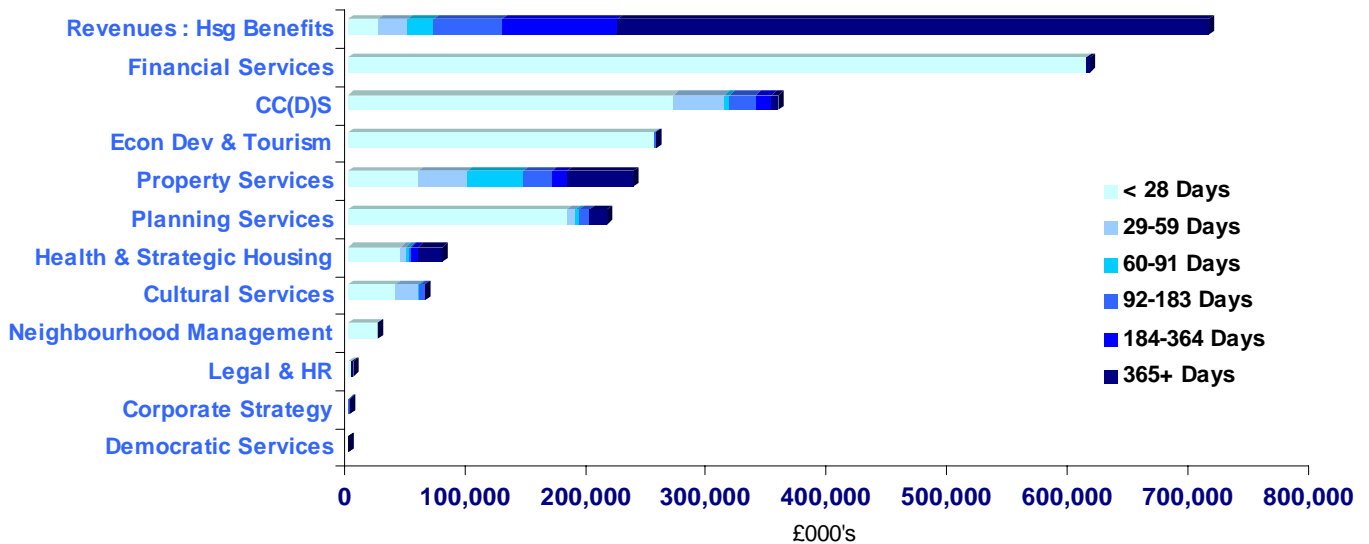
The analysis shows that the overall level of debt has increased by £809K from the previous quarter. This is normal for this time of year as a large number of annual invoices are issued prior to the start of the new financial year.

The long term debt (over 1 year old) has reduced by £173K or 22%.

## Analysis of Debt Outstanding



	Dec 07	March 08
	£000	£000
0-28 days	429	1,507
29-59 days	129	139
60-91 days	67	80
92-182 days	164	120
183-364 days	204	129
365+ days	762	589
	<b>1,755</b>	<b>2,564</b>
Previous Year	2,037	2,531



## 6 INSURANCE & RISK MANAGEMENT

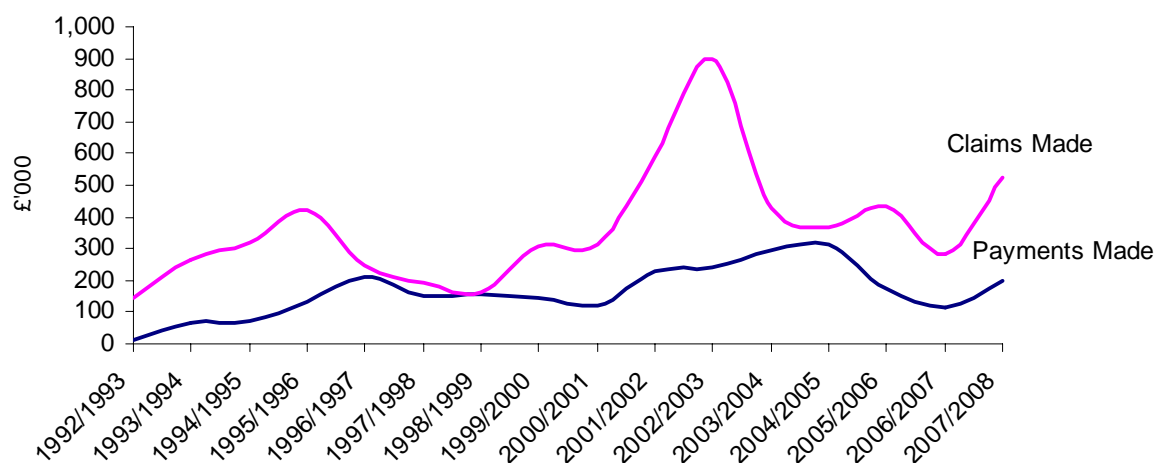
### 6.1 Insurance Monitoring

The current balance on the insurance provision is £175K, after making payments of £224K in settlement of claims made, and receiving £49K as credits from the insurers in respect of claims above the excess. In addition, there is an insurance reserve of £100K set aside to cover any years where the Council experiences higher than expected insurance claims. Therefore, in total there is £275K available to cover expected liabilities.

At present, our insurers estimate that the value of claims outstanding is £472K, which relate to a total of 227 claims made over a 12 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 57% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £269K, which is within the available funding as mentioned above.

It is highly unlikely that all these outstanding claims will fall due for payment in the same financial year. The uncertain nature of insurance claims payments, however, means that accurate predictions are difficult and, as such, the balance will continue to be closely monitored.

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



The graph shows that claims made and paid during 2007/08 have risen when compared to previous years, and as a result the insurance reserve will need to be fully utilised in providing cover for estimated outstanding claims.

Claims on Public Liability insurance have risen by almost £150K when compared to 2006/07. In addition there have recently been two major claims made under the Officials' Indemnity policy. One relates to the alleged incorrect granting of planning permission and is still under investigation with a reserve of £30K. The other related to a planning appeal but insurers refused to indemnify the Council due to there being no actual "error". The circumstances giving rise to the appeal were that Members refused to grant planning permission in spite of Officers' recommendations that they should allow it. In the absence of indemnity from the insurers, the Council was still duty bound pay an award of costs of £78K to the appellant (this was reported in quarter 2 monitoring). This incident highlighted that if not soundly based, Members' decisions not to follow such Officer advice can be a major risk to the Council; the impact being significant financial loss and/ or reputational damage.

As a result of this, the Head of Planning Services presented a report to Planning and Highway Regulatory Committee in November 2007 advising Members of the consequences of such decisions and the grounds upon which they fall liable for costs. The report explained that refusing planning permission against Officer advice is not in itself unreasonable behaviour, indeed without the freedom to do so, the democratic element of decision making within local government could not function and all planning decisions would have to be delegated to Officers. In exercising their freedom, however, Members need to be very careful that they can base their decisions on sound planning grounds which can be defended at appeal.

In order to mitigate the risk of this happening again, members of Planning Committee have now been supplied with a copy of an extract from Circular 8/93 "Costs in Planning and other Proceedings" and advised that the extract be kept safely with the Constitution and Planning Protocol for future reference when required. This is in addition to the compulsory training that all members of Planning Committee and their subs receive before they are able to sit on the Committee.

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## 6.2 Other Risk Management

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There have been no significant changes to the Corporate or Service Risk Registers in the last quarter. However, in addition to the work undertaken above on planning decisions, the Risk and Insurance Manager has been working closely with Planning Services on creating a Risk Register for Luneside East. A more detailed update will be provided as part of the next Corporate Monitoring report for Quarter 1 2008/09. Also, work has been on-going on completing Corporate and Service planning for 2008/09, which will be finalised in Quarter 1. Any key risk aspects arising as a result of this work by Services will also be reported then.