



Corporate Financial Monitoring

December 2009 | Quarter 3

Report of the Head of Financial Services
Corporate PRT meeting | 12 February 2010

HEADLINE INFORMATION

REVENUE	Current (Underspend) / + Overspend	Projected (Underspend) / + Overspend
General Fund	+£483K	(£68K)
Housing Revenue Account	(£60K)	(£82K)

CORPORATE FINANCIAL MONITORING

December 2009 | Quarter 3

1. INTRODUCTION

This monitoring report of expenditure and income for 2009/10 sets out an indicative corporate picture of the Council's financial performance relating to the period ending 31 December 2009.

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.

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

The current overall General Fund summary position shows that at the end of December there is a net overspend of **£483K** against the revised budget. This is forecast to change to an underspend of **£68K** by the end of the year.

The current overspend includes a variance of £400K in respect of the VAT recovery claim which had been expected by now. HMRC have accepted the principles underpinning the claim and have already settled with some other local authorities. It is still anticipated that the claim will be settled by the year end, but not guaranteed.

VARIANCES	Current £000	Projected £000
Major Variances (see section 2.3)	+537	+82
Salaries (see section 2.4)	(54)	(150)
ESTIMATED OUTTURN	+483	(68)

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. The relevance of this target will be reviewed over the coming months, in light of experience.

	£000
Net Controllable Budget	23,792
2% Target	+/() 475
Provisional Controllable Net Underspend	(77)
Percentage of Net Controllable Budget	0.32%

2.2 Major Budget Variances

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
REPORTED VARIANCES :	() Favourable / + Adverse	
Financial Services	+381	0
CC(D)S	+3	+9
Property Services	+14	+40
Cultural Services	+14	+33
Planning Services	+125	0
	+537	+82
VARIANCES NOT REPORTED TO PRT MEETINGS :	--	--
	+537	+82

The variances listed in **Appendix A** show that there is currently an overall overspend of £537K, which is anticipated to be reduced to £82K by the year end. As mentioned in section 2.1, the current overspend includes a variance of £400K in respect of the outstanding VAT claim.

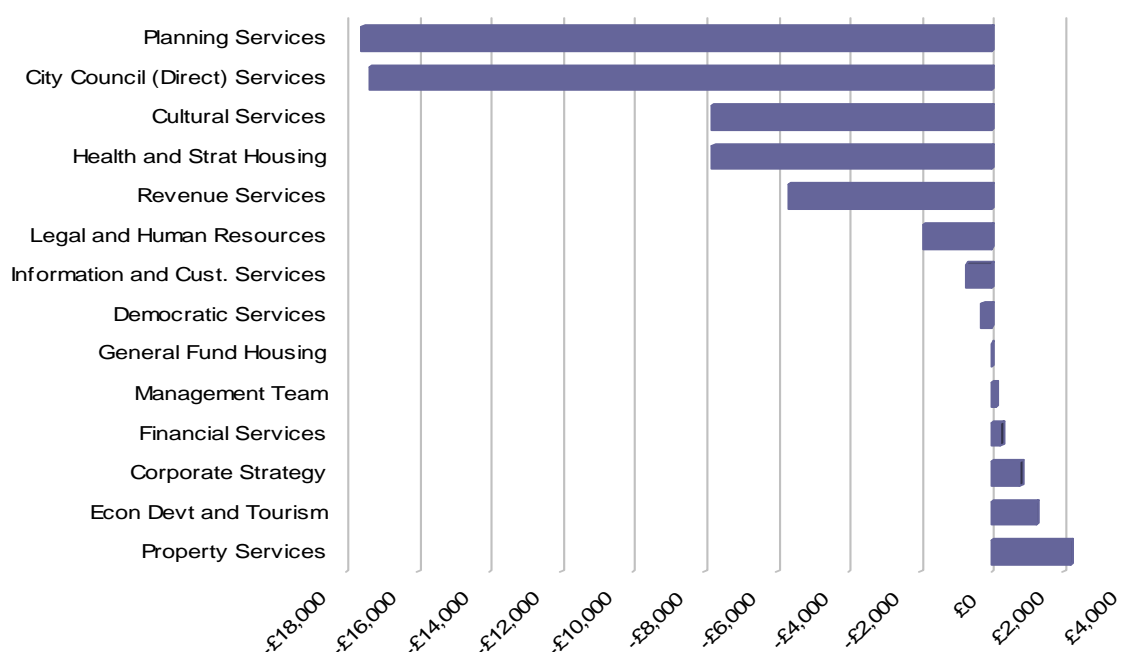
There are two major variances included within the forecast of £82K, relating to Lancaster Market (+£38K) - from the loss of tenants resulting in a drop in income, and Salt Ayre Sports Centre (+£35K) - pool cover and new Reflexions contract late in being implemented resulting in anticipated savings not being achieved.

2.3 General Fund Salary Monitoring

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.

At the end of December there are savings of £54K against the revised salary budgets. This could increase to £150K by the end of the financial year, however it is difficult to accurately predict the exact figure. The following graph shows the savings on a Service by Service basis.

Planning and CC(D)S have the largest savings of £17K each, which are mainly in respect of the Coast Protection team, Planning management and admin and the CC(D)S grounds maintenance section. There are also minor overspends in Economic Development and Tourism relating to Morecambe VIC, and Property Services in respect of additional overtime.



3 GENERAL FUND CAPITAL PROGRAMME

3.1 Capital Expenditure & Financing

Capital Expenditure (General Fund)

As reported to Cabinet on 8th December 2009 the gross Capital Programme for 2009/10 was £9.886M, and at the end of the month spend against the programme was £6.797M. The programme has subsequently been revised upwards to include the Icelandic Bank impairment of £2.047M for which capitalisation has been granted.

Capital Receipts (General Fund)

Estimated receipts of £1.765M are required to finance the current years capital programme, of which £1.298M is currently available leaving a balance of £467K still to be achieved this year.

4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

4.1 HRA Revenue Position

At the end of December the position for the Housing Revenue Account shows an underspend of **£60K** against the budget, which is currently projected to increase to **£82K** by the end of the year.

	Variances to Date	Project to Yr End	Comments
	£000	£000	
Council House Rents	(24)	--	See section 4.2 below.
Estate Support Services - electricity	(6)	0	Delay in starting photo electric cells work.
Insurance Repairs	+29	?	Outstanding claims
Planned Maintenance – electricity inspections	(23)	(40)	Anticipated savings on follow up work from inspections.
Repair & Maintenance section - salaries	(7)	(10)	Savings from 2 vacant posts
Repair & Maintenance – admin charges	(5)	(10)	Additional admin charges from rechargeable repairs.
Responsive Maintenance - fees	(26)	(12)	Works completed on septic tank due to legal responsibility has led to an increase in income as all costs are recharged out to owner occupiers.
Telecare – contracted services	(3)	(15)	Savings on contract – officers reviewing service provider.
Mgt & Admin – service charges	+5	+5	Additional expenditure relating to insurance costs.
Net Total	(60)	(82)	

4.2 Council House Rent Collection

At the end of December rent collection is slightly higher than estimated, however this is mainly due to the revised profile needing to be reviewed. It is anticipated that the outturn will be in line with the revised budget by year end.

Total Estimate for Year	£11,412,900
Profiled Budget	£8,560,055
Actual to Date	£8,583,936
Difference	£23,881

4.3 Council Housing Capital Programme

This section analyses actual spend against the Council Housing Capital Programme at the end of December. To date spend and commitments total £2.666M against a budget of £3.847M leaving a balance of £1.181M. Slippage of £478K has already been identified against the programme and officers are currently looking into the reasons why the revised budget did not incorporate this.

	Current Approved Programme £000	Spend & Commitments to Date £000	Budget Remaining £000
Adaptations	250	246	4
Bathroom / Kitchen Refurbishment	497	307	190
External Refurbishment	1,300	964	336
Rewiring	53	46	7
Renewal of Heaters	45	36	9
Environmental / Crime Prevention	444	214	230
Re-roofing / Window Renewals	520	477	43
Energy Efficiency Works	540	360	180
IT Replacement	83	16	67
Central Control Equipment	100	0	100
Prospect Grove Office Conversion	15	0	15
TOTAL	3,847	2,666	1,181

5 REVENUE COLLECTION PERFORMANCE

5.1 Council Tax & Business Rates

This section analyses the Council Tax and Business Rate collection performance. Collection for both elements is on target, and comparable to previous years performance.

Percentage Collected	2008/09 %	2009/10 %	2009/10 Target %	2009/10 Actual %	Status
	All Years		In Year		
Council Tax	88.42	87.93	96.60	85.98	On Target
Business Rates	80.22	80.52	98.00	89.08	On Target

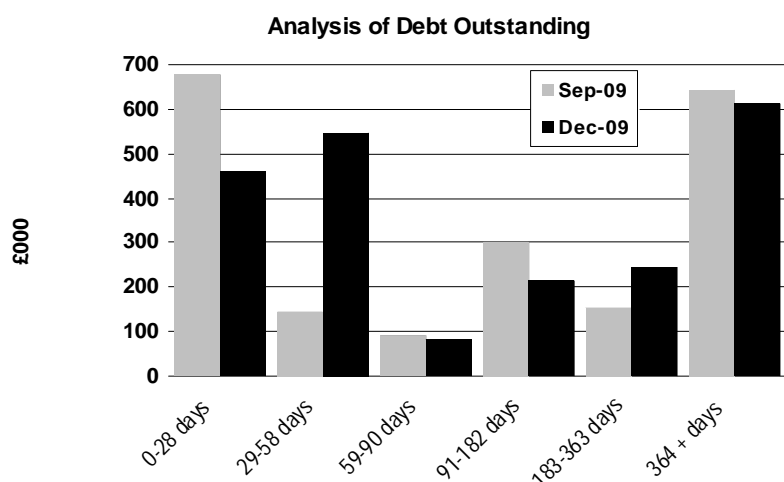
5.2 Collection Fund Monitoring

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 at the end of December the Fund was in surplus by £263K, but it should be noted that any surplus or deficit is shared between the relevant precepting bodies. The City Council's element equates to 12% and would therefore be £32K. This position will fluctuate throughout the year but will formally be assessed in January when the Council Tax base for 2010/11 is set. At that point in time any surplus or deficit will be notified to the relevant precepting bodies for inclusion in their 2010/11 budget. This information should be viewed in context: the Fund is due to collect approaching £65M in Council Tax for 2009/10.

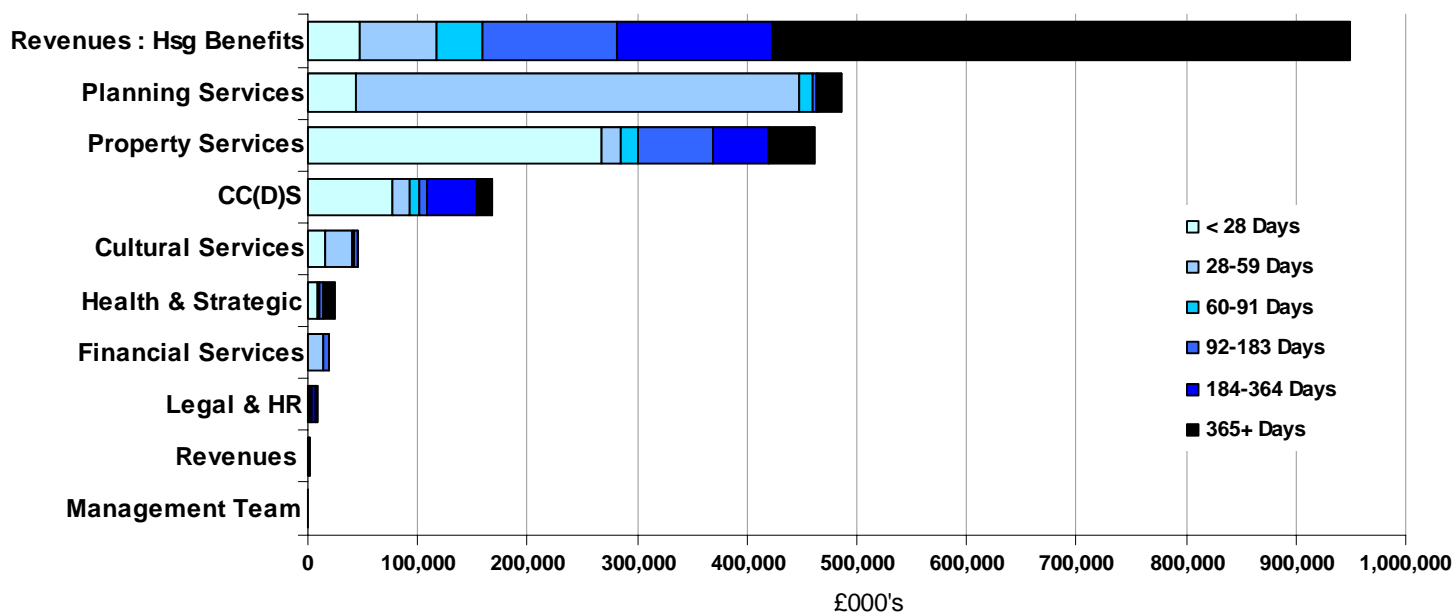
5.3 Sundry Debts

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 stands at £2.165M, which is virtually the same as the previous year. However, compared to the previous quarter, this is an increase of £150K.

The level of debt over 1 year old has reduced slightly to 28% (32% at Quarter 2) of the total outstanding debt. The total value of all debt over 3 months old has also reduced slightly by £17K from the previous quarter.



	Sept 09	Dec 09
	£000	£000
0-28 days	679	461
29-58 days	141	548
59-90 days	102	80
91-182 days	293	215
183-363 days	154	245
364+ days	646	616
	2,015	2,165
Previous Year	1,458	2,142



6 PROVISIONS AND RESERVES

This section provides and update on key provisions and reserves.

6.1 Restructuring Reserve

This reserve was established to cover the cost of redundancies and early retirements as a result of Service restructures during 2009/10 and 2010/11. The following table shows the approvals to date and those still subject to approval.

In addition, a further report is due to be submitted to Cabinet in February regarding future stages of the Senior Management Restructure.

Restructuring Reserve			Annual Savings Generated	Comments
		£	£	
Balance as at	31 March 2009	943,100		
Quarter 1 Approvals				
	<i>Personnel Cttee 26 March 09</i>			
	Corporate Strategy Restructure	(63,600)	30,200	Annual savings reduce by £8K after 2009/10. Additional savings being identified.
Balance as at	30 June 2009	879,500		
Quarter 2 & 3 Approvals				
	<i>Personnel Cttee 30 July 09</i>			
	Management Team PA Restructure	(56,900)	15,500	Annual saving rises to £32K after 2011/12.
	<i>Personnel Cttee 30 July 09</i>			
	Senior Management Restructure	(13,500)		
	NWEO Fees (referred to Cabinet)			
Balance as at	30 December 2009	809,100		
Quarter 4 Subject to Approval				
	<i>Personnel Cttee 12 January 2010</i>			
	Community Engagement	(484,920)	229,100	
	Policy and Regeneration	(271,042)		
	<i>Cabinet 19 January 2010</i>		149,900	
	Additional Contribution	720,700		
Balance as at	31 March 2010	773,838		

6.2 Insurance Provision

The current balance on the insurance provision is £256K, after making net payments of £141K in settlement of claims made. (*Quarter 2: balance £277K, net payments £26K*).

At present, the Council's insurers estimate that the value of claims outstanding is £468K, which relates to a total of 204 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 57% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £267K, which is £11K below the current provision.

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. Officers will continue to monitor the level of the provision to ensure it remains at a prudent level.

6.3 Bad Debt Provision

The Bad Debt provision is reviewed half yearly at revised estimate time and closedown. However, it is proposed to provide a quarterly review and report as part of the Corporate Monitoring process.

The level of the provision has been assessed based on anticipated 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	% Cover Required	Value £000
Up to 1 Month	461	1%	5
1 Month to 3 Months	628	5%	31
3 Months to 365 Days	460	10%	46
Over 365 Days	616	50%	307
TOTAL	2,165		389

The current balance on the Bad Debt provision is £421K which is £32K above the requirement indicated. There are various write offs being processed at present though, and therefore the difference is not viewed as significant.

7 RISK MANAGEMENT

The Risk and Insurance Manager has been working closely with the Corporate Performance Manager to review the significant risks highlighted in Services' Business Plans, and to ensure that Service Heads are clear about their associated responsibilities. At this stage, to 31 December, there are no major exceptions to report, though clearly this can change at any time.

From a strategic perspective, the Corporate Director (Finance & Performance) is leading on a review of strategic risks, for consideration by Members as part of the budget process. To support this, information on the key business risks from services' perspectives will also be drawn on, to inform future planning and budgeting as appropriate.