



## Corporate Financial Monitoring

March 2010 | Quarter 4

Report of the Head of Financial Services  
Corporate PRT meeting | 18 May 2010

### HEADLINE INFORMATION

REVENUE	Current (Underspend) / + Overspend	Projected (Underspend) / + Overspend	Projected After Known Est. C/F Requests
General Fund	(157,000)	(615,000)	(584,000)
Housing Revenue Account	+440,000	+37,000	+67,000

Please note that the above projections are very provisional, as the closure of accounts is still underway. In particular, a full review of all Provisions and Reserves still needs to be completed, the accounting guidance for Icelandic investments has not been received and various Carry Forward requests are also expected.

# CORPORATE FINANCIAL MONITORING

March 2010 | Quarter 4

## 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 March 2010. 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 change significantly. A more accurate statement will be produced in June/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.

## 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 underspend of **£157K** against the revised budget. This is forecast to increase to **£584K** by the end of the year, after allowing for various year end accruals, provisional carry forward requests and an initial review of Provisions. No assumptions have been made as yet regarding the carry forward of overspendings on controllable budgets, however.

VARIANCES	Current £000	Projected £000
Major Variances (see section 2.3)	+93	(424)
Salaries (see section 2.4)	(250)	(250)
Insurance Provision Review	--	+59
<b>Sub Total</b>	<b>(157)</b>	<b>(615)</b>
Carry Forward Requests	--	+31
Icelandic Investments - Impairment	--	??
Further Review of Other Reserves / Provisions	--	??
<b>ESTIMATED OUTTURN (NET UNDERSPEND)</b>		<b>(584)</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 based on figures available to date, this would be achieved.

	£000
<b>Net Controllable Budget</b>	<b>23,792</b>
2% Target	+/( ) 475
<b>Provisional Controllable Net Underspend</b>	<b>(457)</b>
Percentage of Net Controllable Budget	1.9%

## 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
<b>REPORTED VARIANCES :</b>	<b>( ) Favourable / + Adverse</b>	
Democratic Services	(36)	(34)
Legal & Human Resources	(2)	+8
Financial Services	+355	(69)
Revenues	(8)	(8)
Information Services	(28)	(21)
Environmental Services	(101)	(95)
Property Services	+35	(95)
Community Engagement	+39	+39
Regeneration & Policy	(161)	(149)
	<b>+93</b>	<b>(424)</b>
<b>VARIANCES NOT REPORTED TO PRT MEETINGS :</b>	--	--
	<b>+93</b>	<b>(424)</b>

The variances listed in **Appendix A** show that there is currently an overall overspend of £93K, but this is currently forecast to change to an underspend of £424K by the year end.

Main variances relate to:

- additional Planning Development fee income (£118K) over an above that predicted at revised estimate time;
- reduced vehicle running costs (£59K) and additional surpluses made on Highways jobs (£55K);
- savings generated by Property Services (£71K) as a result of the flexible purchasing scheme for gas and electricity;
- 2 out of the 3 VAT claims have now been settled resulting in net income of £437K, which is £37K better than the Revised Budget.

The main overspend relates to Salt Ayre Sports Centre (+£47K), which reflects a failure to achieve the £119K savings target set for 2009/10.

The total savings to be achieved in 2009/10 as set by Council on 04 March 2009 were £1.387M. Whilst the bulk of these have been successfully delivered, subject to final outturn, £234.3K (16.9%) of budgeted savings were not achieved in last year. That said, the majority of these will be achieved (or exceeded) in 2010/11 and beyond, and are therefore only delayed – the one possible exception to this being Salt Ayre. Its financial position in the current year is not yet clear but this will be monitored closely in the coming months. Details of the budgeted savings not achieved in last year are as follows:

**Budgeted Savings not Achieved:**

Salt Ayre Sports Centre	£47.0K
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**Budgeted Savings Removed at Revised Estimate Stage as unachievable:**

Revenues staffing savings	£21.9K
Reduction in support for Festivals Innovation Fund Events	£30.0K
Senior Management Restructure	£50.0K
Break-even for Building Control	£143.4K
Less Building Control (Outturn Saving)	-£58.0K

<b>TOTAL</b>	<b>£234.3K</b>
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Whilst it is clear from Quarter 4 monitoring that other savings have been made that should more than compensate, further work is being commissioned to ascertain whether any improvements can be made in the Council's budgeting arrangements, including staffing costs; the Council has a history of underspending and whilst some of this is accounted for by windfalls or unexpected events, it is not considered likely that this is always the case. If the Council can improve its service planning and budgeting in future, this should help avoid any unnecessary budget reductions in other areas.

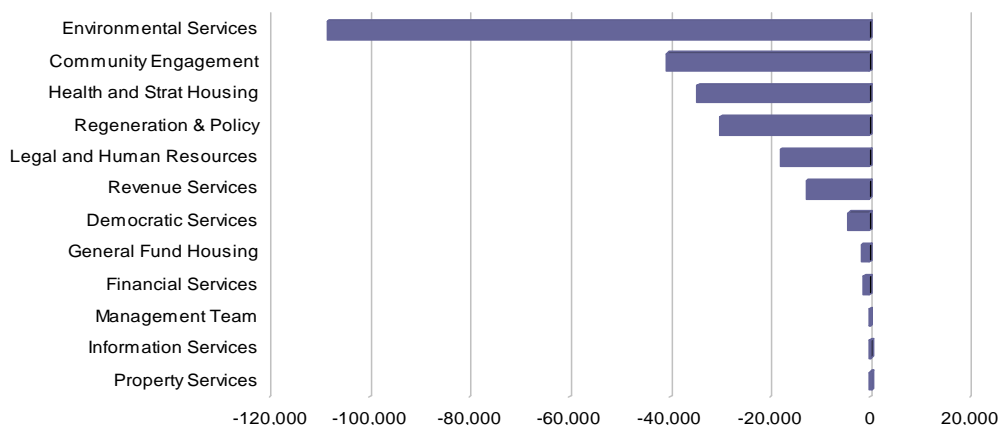
## 2.3 General Fund Salary Monitoring

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 March there are savings of £250K against the revised salary budgets. The following graph shows the savings on a Service by Service basis.

The majority of savings have been made in Environmental Services (£108K), in particular on Grounds Maintenance (£15K) and Three Stream Waste (£46K). The latter has resulted from vacant posts and savings on overtime due to fine tuning of the collection system following completion of the Three Stream Waste roll out. Other savings have been generated in a number of different areas within Community Engagement (£23K Management & Admin, £11K Public Art & Regeneration), Health & Strategic Housing (£35K) and Regeneration & Policy (£28K – Management & Admin and Regeneration Team).

In view of the restructuring underway, it is perhaps understandable that underspendings would occur in some service areas but again, this will be explored further as outlined in section 2.2 above.



## 3 GENERAL FUND CAPITAL PROGRAMME

### 3.1 Capital Expenditure & Financing

#### Capital Expenditure (General Fund)

The approved gross capital programme for 2009/10 was £11.433M and actual spend at the end of the year was £9.351M giving a difference of £2.082M. Slippage on individual schemes is still being finalised therefore it is too early to give an indication of overall outturn position.

#### Capital Receipts (General Fund)

Estimated receipts of £1.765M were required to finance the capital programme, of which £1.462M is currently available leaving a shortfall of £303K. However, as the position relating to slippage is unknown at present it is not possible to say whether this will have a significant impact or not on the financing of the capital programme overall.

## 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 overspend of **£440K** against the revised budget, which is currently projected to reduced to **£67K** by the end of the year. This is after allowing for provisional carry forward requests of £30K, but it should be noted that such requests can only be considered should there be a net underspending overall at year end. A full list of the variances is shown in **Appendix B**.

It should also be noted that a full review of HRA provisions and reserves still needs to be completed as part of the closedown process.

VARIANCES	Current £000	Projected £000
Major Variances	+440	+37
<b>Sub Total</b>	<b>+440</b>	<b>+37</b>
Carry Forward Requests	--	+30
Further Review of Other Reserves / Provisions	--	??
<b>ESTIMATED OUTTURN (NET OVERSPEND)</b>		<b>+67</b>

One significant area of overspend (provisionally £95K) relates to insurance repairs and results mainly from a failure to properly record and claim for all repair costs from the Council's insurance company. As a result the Risk and Insurance Manager will now be working with Council Housing and the Council's insurers to put in place procedures that will ensure all future claims are correctly recorded and claimed for.

### 4.2 Council House Rent Collection

At the end of March rent collection is slightly higher than estimated.

<b>Total Estimate for Year</b>	<b>£11,412,900</b>
Profiled Budget	£11,412,900
Actual to Date	£11,416,505
<b>Difference</b>	<b>£3,605</b>

### 4.3 Council Housing Capital Programme

This section shows the provisional outturn against the Council Housing Capital Programme at the end of March, both before and after allowing for slippage. Spend to date and provisional slippage and retentions totals £4.002M against a budget of £3.847M which would result in an overspend of £155K or 4% of the approved budget. The main areas of overspend relate to Adaptations (£67K) due to increased demand, and External Refurbishments (£49K) mainly due to addition costs at Kingsway (Phase 2) relating to asbestos removal and other extra works.

The figures are provisional and still subject to completion of the closedown process. A full report explaining all outturn variances will be presented to Members, scheduled for July.

	Current Approved Programme £000	Spend to Date £000	Forecast Costs (including slippage and retentions) £000	(Under) / + Over Spend £000
Adaptations	250	317	317	<b>+67</b>
Bathroom / Kitchen Refurbishment	497	438	497	<b>--</b>
External Refurbishment	1,300	1,168	1,349	<b>+49</b>
Rewiring	53	54	54	<b>+1</b>
Renewal of Heaters	45	38	44	<b>(1)</b>
Environmental / Crime Prevention	444	343	478	<b>+34</b>
Re-roofing / Window Renewals	520	487	499	<b>(21)</b>
Energy Efficiency Works	540	559	559	<b>+19</b>
IT Replacement	83	20	83	<b>--</b>
Central Control Equipment	100	65	84	<b>(16)</b>
Prospect Grove Office Conversion	15	28	28	<b>+13</b>
Non Sheltered Scheme Equipment	--	10	10	<b>+10</b>
<b>TOTAL</b>	<b>3,847</b>	<b>3,527</b>	<b>4,002</b>	<b>+155</b>

## 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 has exceeded the “*In Year*” targets, however both are slightly down in respect of “*All Years*” when compared to the position at the end of 2008/09.

Percentage Collected	2008/09 %	2009/10 %	2009/10 Target %	2009/10 Actual %	Status
	<b>All Years</b>		<b>In Year</b>		
Council Tax	92.34	92.09	96.60	97.15	On Target
Business Rates	98.88	98.51	98.00	99.02	On Target

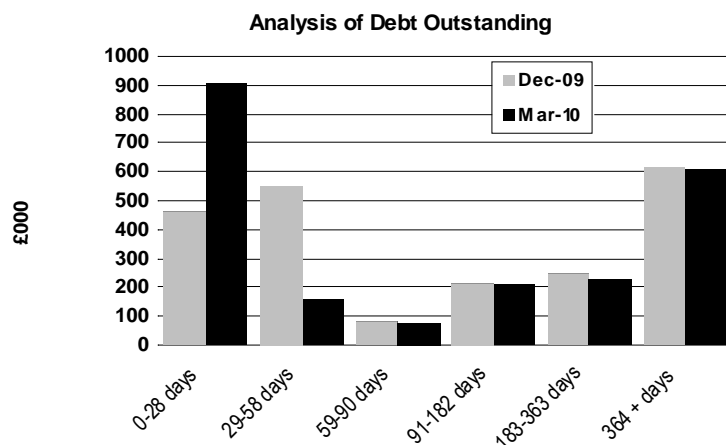
### 5.2 Collection Fund Monitoring

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 provisional outturn shows that at the end of March the Fund was in surplus by £240K, 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 £29K. When the fund was formally assessed in January the projected year end surplus was estimated to be £151K of which the City Council would receive £19K, therefore the provisional outturn is £10K higher for the City Council. This information should be viewed in context: the Fund collected £67M in Council Tax for 2009/10.

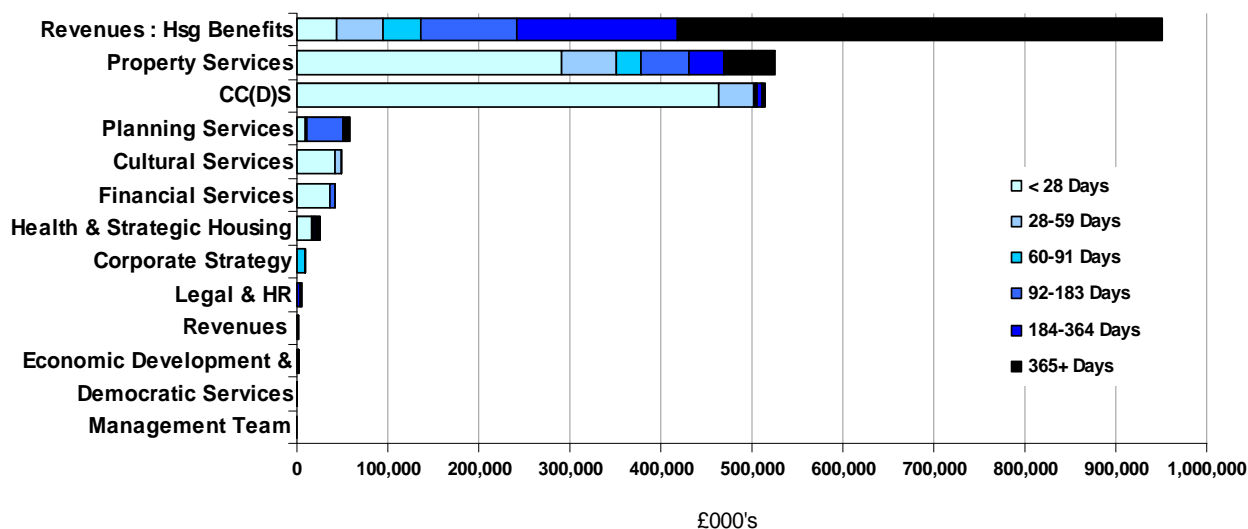
### 5.3 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of March the total debt outstanding stands at £2.186M, which is £101K less than the previous year. However, compared to the previous quarter, this is an increase of £21K.

The level of debt over 1 year old has remained the same at 28% (28% at *Quarter 3*) of the total outstanding debt. The total value of all debt over 3 months old has reduced slightly by £32K from the previous quarter. For information, attached at **Appendix C** is an analysis of the action being taken on debt over 90 days old.



	Dec 09	March 10
	£000	£000
0-28 days	461	905
29-58 days	548	157
59-90 days	80	79
91-182 days	215	210
183-363 days	245	226
364+ days	616	608
	2,165	2,186
Previous Year	2,142	2,085



## 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 as at the end of March. A full review of the reserve is currently being undertaken as part of the closedown process as the figures shown below are estimates and the final settlement figures may vary.

In addition, further reports are due to be submitted to Personnel Committee in May seeking further ER/VR approvals as part of the next stage of the Senior Management Restructure.

Restructuring Reserve		Annual Savings Generated	Comments
	£	£	
Balance as at 31 March 2009	943,100		
<b>Quarter 1 Approvals</b>			
Personnel Cttee 26 March 09 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		
<b>Quarter 2 &amp; 3 Approvals</b>			
Personnel Cttee 30 July 09 Management Team PA Restructure	(56,900)	15,500	Annual saving rises to £32K after 2011/12.
Personnel Cttee 30 July 09 Senior Management Restructure NWE0 Fees (referred to Cabinet)	(13,500)		
Balance as at 30 December 2009	809,100		
<b>Quarter 4 Approvals</b>			
Personnel Cttee 12 January 2010 Community Engagement	(484,900)	229,100	
Policy and Regeneration	(271,100)	149,900	
Cabinet 19 January 2010 Additional Contribution	720,000		
Personnel Cttee 02 March 2010 Revenues Mangement	(122,100)	40,000	
Community Engagement - Additional Cost	(16,300)		
Balance as at 31 March 2010	634,700	464,700	Total Estimated Savings

## 6.2 Insurance Provision

The current balance on the insurance provision is £214K, after making net payments of £184K in settlement of claims made. (*Quarter 2: balance £256K, net payments £141K*).

At present, the Council's insurers estimate that the value of claims outstanding is £487K, which relates to a total of 257 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 56% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £273K, which is £59K above the current provision; an additional contribution of £59K may therefore be required as part of the 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. 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 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:

<b>Period</b>	<b>Debt £000</b>	<b>% Cover Required</b>	<b>Value £000</b>
Up to 1 Month	905	1%	9
1 Month to 3 Months	237	5%	12
3 Months to 365 Days	436	10%	44
Over 365 Days	608	50%	304
<b>TOTAL</b>	<b>2,186</b>		<b>369</b>

The current balance on the Bad Debt provision is £371K which is £2K above the requirement indicated, and therefore no further contribution is expected to be needed.

## **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. Work is still underway; in addition the Council's Corporate Plan is due to be considered by Council on 17 May. At this stage therefore, to 31 March there are no new major issues to report. For the next quarter, more information regarding the new Government's spending and other plans should become available and the Council's business and other risks will be reviewed in this context.