

Corporate Financial Monitoring

December 2012 | Quarter 3

Report of Financial Services Manager

HEADLINE INFORMATION			
REVENUE	Current (Underspend) / + Overspend £	Projected (Underspend) / + Overspend £	Future Years Projection (Underspend) / + Overspend £
General Fund	(136)	(208)	+27
Housing Revenue Account (HRA)	(6)	(10)	--

CORPORATE FINANCIAL MONITORING

December 2012 | Quarter 3

1. INTRODUCTION

This monitoring report of expenditure and income for 2012/13 sets out an indicative corporate picture of the Council's financial performance relating to the period ending 31 December 2012.

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

The current overall General Fund summary position shows that at the end of December there is a net underspend of **£136K** against the budget. This is currently forecast to increase to **£208K** by the end of the year.

VARIANCES	Current £000's	Current Year Projection £000's	Future Years Projection £000's
Major Variances (see section 2.2)	(88)	(78)	+27
Salaries (see sections 2.3 & 2.4)	(48)	(130)	--
Sub Total	(136)	(208)	+27
ESTIMATED OUTTURN / IMPACT ON FUTURE YEARS	--	--	+27

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. That said, actions could be taken to improve the Council's position still further.

	£000's
Net Controllable Budget	24,278
2% Target	+/() 486
Provisional Controllable Net Underspend	(11)
Percentage of Net Controllable Budget	0.05%

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 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.

SUMMARY BY SERVICE	Current £000's	Current Year Projection £000's	Future Years Projection £000's
REPORTED VARIANCES :	() Favourable / + Adverse		
Environmental Services	(84)	(27)	--
Health & Housing	(24)	(24)	--
Regeneration & Planning	--	(27)	+27
Resources	+20	--	--
	(88)	(78)	+27
Variances not reported to PRT meetings : None	--	--	--
TOTAL VARIANCES	(88)	(78)	+27

The following table provides an analysis of these variances and Appendix A shows how each variance has been initially categorised.

FACTORS INFLUENCING VARIANCES	Variances to Date £000's	Current Year Projection £000's	Future Years Projection £000's
Unforeseeable windfalls or costs	(25)	(30)	0
Demand led variances	(10)	(20)	+7
Efficiency savings	0	0	0
Other service driven variances (incl delays)	(38)	+7	0
Budget setting issues / errors	(24)	(24)	0
Other variances	+9	(11)	+20
TOTAL	(88)	(78)	+27

In terms of future years, the above analysis does not include any projection as yet in respect of on-going salary savings as these will be picked up as part of the current budget review process.

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.

The main savings against the revised budget are in Environmental Services (£27K), Health and Housing (£13K) and Community Engagement (£12K). The overall saving of £52K is projected to rise to £130K by the end of the year.

3 GENERAL FUND CAPITAL PROGRAMME

3.1 Capital Expenditure & Financing

The capital programme has now been updated following a full review as part of the budget process. A summary of the latest position is shown below, and there are no variances to report against the revised budget position.

Scheme	2012/13 Budget £000's	Spend & Commitments £000's	Budget Remaining £000's
Salt Ayre Sports Centre	89	89	0
Warm Homes Scheme	5	5	0
Williamson Park Improvements	206	3	203
Allotment Improvements	61	57	4
Playground Improvements / Facilities	119	118	1
Invest to Save Solar Panels	20	18	2
Mainway Recycling Bins	4	3	1
Purchase of Vehicles	1,365	1,342	23
Disabled Facilities Grants	802	515	287
YMCA Places of Change	52	33	19
Sea & River Defences	158	157	1
Bold Street Renovation Scheme	262	180	82
Ffrances Passage	7	3	4
Greyhound Bridge Rd Affordable Hsg	250	250	0
Luneside East	78	74	4
Morecambe TH12 A View for Eric	17	0	17
Storey Inst Centre for Industries	13	0	13
West End Temp Car Park	19	1	18
Corporate Property Works	676	216	460
ICT Systems, Infrastructure & Equip	327	213	114
Lancaster Market	1,168	1,168	0
TOTAL	5,698	4,445	1,253

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 **£6K** against the profiled budget, which is currently projected to rise to **£10K** by the end of the year. The main variance relates to reduced spend on printing and stationery.

4.2 Council Housing Rent Collection

At the end of December rental income was slightly lower than estimated but is forecasted to remain on budget.

Total Estimate for Year	£13,448,900
Profiled Budget	£10,088,555
Actual to Date	£10,087,552
Difference	(£1,003)

4.3 Council Housing Capital Programme

The council housing capital programme has also been updated as part of the budget process and the latest position is set out below.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Bathroom Kitchen Refurbishment	919	422	497
External Refurbishment	660	459	201
Re-roofing / Window Renewals	422	395	27
Environmental / Crime Prevention Works	398	266	132
Energy Efficiency Works	450	303	147
Rewiring	290	50	240
Adaptations	300	166	134
Fire Precaution Works	184	8	176
Invest to Save - PV Solar Panels	147	0	147
Total Mobile	30	23	7
Choice Based Lettings	0	1	(1)
Lift Replacement	52	0	52
Sceptic Tanks	40	20	20
TOTAL	3,892	2,113	1,779

5 REVENUE COLLECTION PERFORMANCE

5.1 Council Tax & Business Rates

In year collection performance for Council Tax is very slightly down and NNDR is also slightly down on the same period last year.

Percentage Collected	2011/12 %	2012/13 %	2012/13 Target %	2012/13 Actual %	Status
	All Years		In Year		
Council Tax	79.91	79.25	97.2	85.9	Slightly short of target
Business Rates	88.39	87.85	98.7	88.0	Slightly short of target

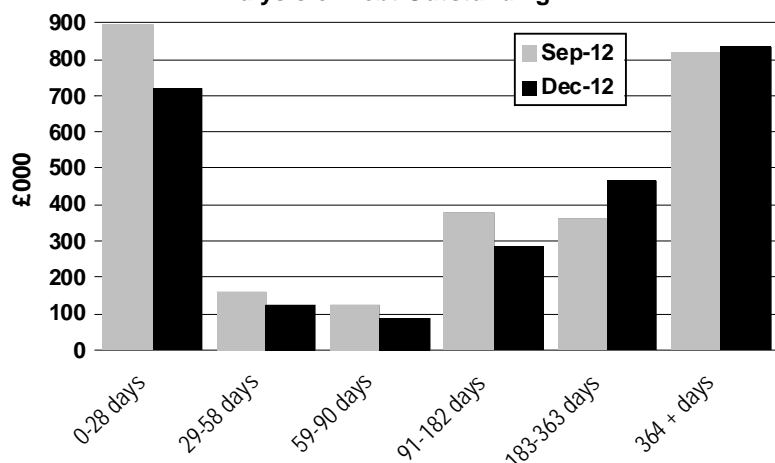
5.2 Collection Fund Monitoring

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 £54K, 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 £7K.

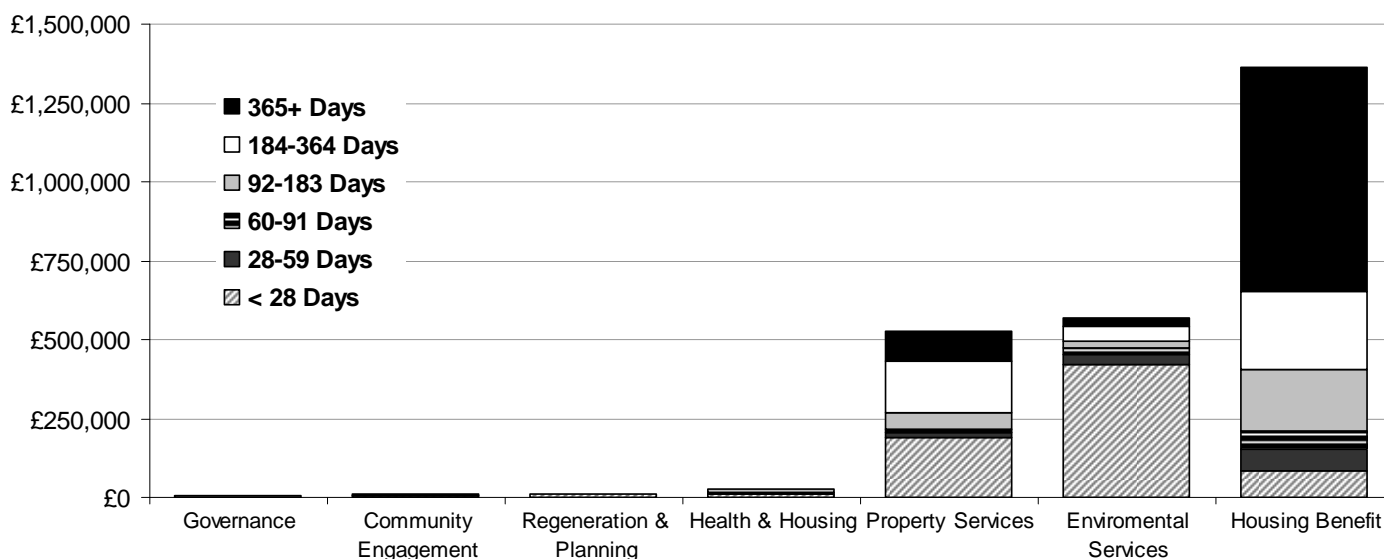
5.3 Sundry Debts

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 under £2.521M, which is £227K less than the previous quarter.

Analysis of Debt Outstanding



	Sept 12	Dec 12
	£000's	£000's
0-28 days	897	722
29-58 days	163	125
59-90 days	124	87
91-182 days	380	286
183-363 days	363	465
364+ days	821	836
	2,748	2,521
Previous Year	2,603	2,124



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 £435K, after making net payments of £130K in settlement of claims made.

At present, the Council's insurers estimate that the value of claims outstanding is £461K, which relates to a total of 230 claims made over a 5 year period. This estimate assumes that all these claims will be settled at the maximum reserve limit; however, statistics show that, on average, only 59% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £272K. In addition, at the end of the last financial year the council was notified that it was liable for old claims relating to the MMI scheme of arrangement for which an estimated liability of £155K was provided for in the provision. Therefore, the total value of estimated liabilities is £427K which is still £8K less than the current provision. The provision will formally be assessed 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.

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	722	1%	7
1 Month to 3 Months	212	5%	11
3 Months to 365 Days	751	10%	75
Over 365 Days	836	50%	418
TOTAL	2,521		511

The current balance on the General Fund Bad Debt provision is £541K which is £30K above the requirement indicated, but that is after allowing for this year's contribution of £100K. The position has been reviewed as part of the budget process and no adjustments were made, however it will be reviewed again as part of the closedown process. Given that the majority of sundry debts relate to housing benefit overpayments, the planned welfare reforms could well have major bearing in future.

7 RISK MANAGEMENT

As part of the business planning process, key business risks need to be considered by Service Heads and any significant ongoing or emerging risks should be reported on an exceptions basis through quarterly Performance Review Team reports, together with any actions needed to manage the situation.

The key financial and other risks have been incorporated into the budget reports presented to Cabinet as part of the 2013/14 budget process.

SUMMARY OF GENERAL FUND MAJOR VARIANCES (Qtr 3 2012/13)

FACTORS INFLUENCING VARIANCES	Variance to Date £	Current Year Projection £	Future Years Projection £
1. Unforeseeable windfalls or costs	(25,000)	(30,000)	+0
2. Demand led variances	(10,000)	(19,600)	+7,600
3. Efficiency savings	+0	+0	+0
4. Other service driven variances (incl delays)	(38,400)	+6,600	+0
5. Budget setting issues/errors	(23,500)	(23,500)	+0
6. Other variances	+9,300	(11,500)	+20,000
TOTAL VARIANCES	(87,600)	(78,000)	+27,600

Service	Variance Type	Service Area	Variance to Date	Current Year Projection	Future Years Projection	Reason for Variance & Action being taken
			£	£	£	
+ = Adverse () = Favourable						
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)						
Environmental Services	1	Vehicles - Fuel	(25,000)	(30,000)	?	Government delayed anticipated 3% fuel duty rise from August to January has now been cancelled. Savings also due to price being lower than predicted throughout year
	4	Highways	(45,000)	?	?	New contract entered into in August 2012 so still in its infancy. Projected outturn expected to be lower than current variance
	6	Off Street Car Parks - Premises Costs	(10,700)	(11,500)	+0	Electricity savings due to energy saving lights installed on Festival Market Car Park. Also delays in carrying maintenance works eg asphaltting at Parksafe.
	2	Off Street Car Parks - Income	(14,600)	(20,000)	+0	Daytime charging in positive position offset by slight downturn in evening usage. Final quarter subject to seasonal adverse weather resulting in expected lower usage however this has been factored into the budget.
	4	Lancaster Market Decommissioning	+6,600	+6,600	+0	Difficult to predict at time of budget setting, largely due to electrical works required
	6	Lancaster Market - Gas	+0	+20,000	+0	Faulty gas reading equipment resulting in backlog of unpaid gas usage for approximately 18 months. Property Group are currently investigating current usage
	2	Nurseries Income	+4,600	+8,000	+0	Fewer sales leading to failure to meet income target. Contributory factors include people spending less because of economy and poor weather during summer
Health & Housing	5	Private Rented Sector Activity - Grant Income	(9,800)	(9,800)	+0	Additional funding received from NLPCT to pay for temporary post from October 12 to September 13.
	5	Housing Options - Grant Income	(13,700)	(13,700)	+0	Additional funding received from NLPCT to pay for temporary post from October 12 to September 13.
Regeneration & Policy	2	Morecambe THI 2 - A View for Eric	+0	(7,600)	+7,600	Slippage of current budget into 2013/14 may be requested.
	6	Morecambe Feasibility Studies	+0	(20,000)	+20,000	Slippage of current budget into 2013/14 may be requested.
Resources	6	Kellet Road Industrial Estate, Carnforth	+20,000	?	?	Outstanding claim for dilapidations. Matter still with Legal. Ongoing for three years.

TOTAL VARIANCES	(87,600)	(78,000)	+27,600
Overall Salary Savings	(52,400)	(130,000)	+0
OVERALL VARIANCES	(140,000)	(208,000)	+27,600