



**LANCASTER CITY COUNCIL**  
*Promoting City, Coast & Countryside*

# **Corporate Financial Monitoring April 2007 – June 2007**

Report of the Head of Financial Services

Corporate PRT meeting: 09 August 2007

# CORPORATE FINANCIAL MONITORING

April 2007 – June 2007

## 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 June 2007 (*week 13*).

The report has changed format recently to reflect the changes in financial reporting to the quarterly PRT meetings. The focus is now to provide a summary of that information whilst highlighting any omissions, in addition to reporting on major corporate activities such as Debt Management, Treasury Management Risk Management and Insurance. The report will also highlight specific areas that require more detailed monitoring.

## 2. GENERAL FUND REVENUE MONITORING

### 2.1 General Fund Summary Position

The current overall General Fund summary position shows that at the end of June there is a net underspending of **£57,000** against the current budget. It is anticipated that this underspend may increase to £292K by the end of the financial year, although these are initial projections based on only three months' information. It does indicate, however, that the Council should be able to contain its net spending well within budget, in line with recent trends.

VARIANCES	Current £000	Projected £000
Major Variances (see below)	+44	-92
Salaries (see below)	-101	-200
<b>TOTAL</b>	<b>-57</b>	<b>-292</b>

### 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.

It is pleasing to report that Services reported on all identified variances this quarter.

SUMMARY BY SERVICE	Current £000	Projected £000
Legal & HR	+2	+2
Financial Services	-15	-98
Health & Strategic Housing	+8	0
CC(D)S	-55	-52
Property Services	+68	+82
Cultural Services	+23	+23
Planning Services	+13	-49
<b>NET VARIANCE</b>	<b>+44</b>	<b>-92</b>

## 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. These variances are being analysed in more detail to determine the reasons, and also to establish the implications for current / future years.

The profiled budget has been adjusted to keep it in line with the delayed pay award (no assumptions have been made as yet regarding the outcome).

To date savings of £151K have been achieved against a profiled target of £50K, resulting in current savings of £101K. Based on previous years, it seems reasonable to expect this saving to increase to £200K by the end of the financial year. However, the position will be closely monitored on a monthly basis. It is also known that some virements are due to be processed, and these may affect the savings projections.

SERVICE	Budget £000	Profile £000	Actual £000	Diff. £000
CC(D)S	1,120	272	260	-12
Corporate Strategy	412	100	96	-4
Cultural Services	1,730	421	405	-16
Democratic Services	432	105	108	+3
Econ Dev & Tourism	601	146	147	+1
Financial Services	1,046	248	243	-5
Health & Strat.Hsg	1,765	425	410	-15
IT & Customer Services	909	221	198	-23
Legal & HR	774	197	192	-5
Management Team	528	132	131	-1
Mellishaw Park	37	9	7	-2
Planning Services	1,315	319	295	-24
Property Services	1,060	257	255	-2
Revenues	2,654	644	598	-46
<b>Total</b>	<b>14,383</b>	<b>3,496</b>	<b>3,345</b>	<b>-151</b>
<b>Turnover Target</b>	<b>199</b>	<b>50</b>	<b>--</b>	<b>+50</b>
<b>Saving to Date</b>				<b>-101</b>

## 3 General Fund Capital Programme

### 3.1 Capital Expenditure & Financing

#### Capital Expenditure

The first table shows the latest approved capital programme and spend to date.

Approved slippage has now been added to the capital programme to give a revised total of £25.737M. To date only £2.524M has been spent or committed leaving a total of £23.213M still to spend.

The second table shows where the main areas of underspend are. The largest is Economic Development, which relates to the Storey Institute, Science Park and Morecambe THI schemes.

The overspend on Waste Collection & Recycling relates to the acquisition of vehicles for which the financing is delegated to the Head of Financial Services. In this case outright purchase, funded by additional unsupported borrowing, is more economical than leasing.

#### Capital Receipts (General Fund)

The Corporate Plan includes a target of confirming or receiving £3.5M receipts by 30 September. After allowing for slippage this year's Programme is now based on £4.1M capital receipts funding, and of this £1.8M is in hand (being the balance b/f from 2006/07).

	£000
<b>Original Approved Programme</b>	<b>23,183</b>
Approved Slippage	2,554
<b>Revised Programme</b>	<b>25,737</b>
Spend to Date	2,182
Commitments	342
<b>Balance</b>	<b>23,213</b>

	Budget £'000	Spend /Committed £'000	Balance £'000
Flood Defences	4,126	603	3,523
Parks & Open Spaces	229	19	210
Community Safety	52	0	52
Highways & Traffic	554	52	502
Econ Dev	10,863	256	10,607
Electronic Gov't	903	351	552
Improving Facilities	3,110	140	2,970
Waste Collection & Recycling	59	183	(124)
General Fund Housing	5,841	920	4,921
<b>Balance</b>	<b>25,737</b>	<b>2,524</b>	<b>23,213</b>

## 4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

### 4.1 HRA Revenue Position

At the end of June the position for the Housing Revenue Account shows an underspend of £19K, which is projected to increase to £31K by the end of the year.

There are three variances to date; additional Housing Subsidy payments due to the Government, offset by additional de minimis capital receipts and rental income from dwellings.

	Variances to Date	Project to Yr End
	£000	£000
Housing Subsidy	+35	+35
De minimis capital rcpts	-16	-16
Dwelling rents	-38	-50
<b>Total</b>	<b>-19</b>	<b>-31</b>

### 4.2 Council House Rent Collection

This section analyses the Council Housing rent income due, and shows at present the income collected is some £38K more than estimated. This is largely attributable to better performance of voids.

	2007/08
Estimate	£2,661,900
Actual	£2,699,906
<b>Difference</b>	<b>-£38,006</b>

### 4.3 Council Housing Capital Programme

This section analyses expenditure against the Council Housing Capital Programme to the period ended June 2007. The programme has been updated for slippage of £157K from 2006/07, however to date only £61K has been spent leaving a balance of £3.621M still to spend.

This level of spending seems very low and is being investigated further.

	Latest Approved Programme £000	Spend to Date £000
Adaptations	200	2
Bathroom / Kitchen Refurbishment	1,060	0
External Refurbishment	1,547	0
Environmental	397	0
Extractor Fans	80	0
Energy Efficiency Works	400	61
<b>TOTAL</b>	<b>3,684</b>	<b>63</b>

## 5 REVENUE COLLECTION PERFORMANCE

### 5.1 Council Tax & Business Rates

This section analyses the Council Tax and Business Rate collection statistics for current and previous financial years.

Collection performance statistics for both Council Tax and NNDR are up on last year. The apparent significant improvement in NNDR is due to the 2006/07 figures being unrepresentative (because of abnormally high rate refunds). 2007/08 collection rates are in line with earlier years' performance, however.

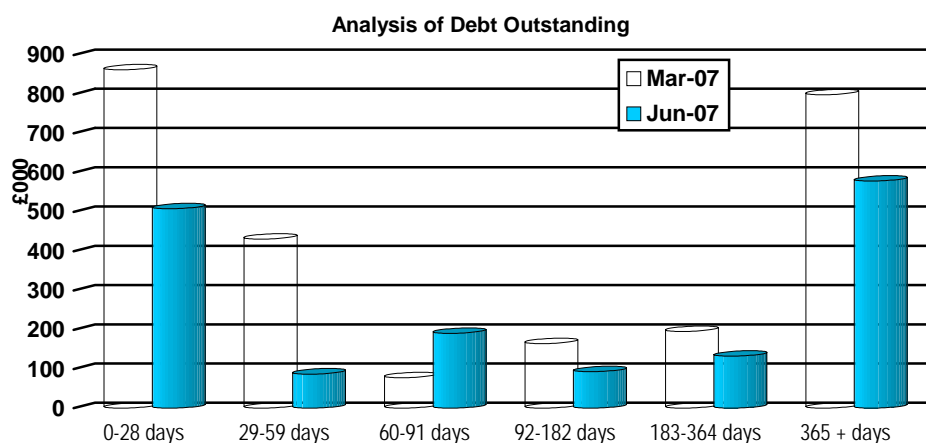
Percentage Collected	2006/07 %	2007/08 %
Council Tax	27.21	27.38
Business Rates	17.40	29.56

### 5.2 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts. At the end of June the total debt outstanding was £1,591,000.

The analysis shows that the overall level of debt has reduced by £940K from the previous quarter, however the previous period did include a large number of year end invoices which is distorting the underlying position. It can be seen though, that the debt over one year old has reduced by £220K. Of the overall debt, 36% is just over one year old.

	March 2007		June 2007	
	No.	£000	No.	£000
0-28 days	585	<b>862</b>	468	<b>508</b>
28-59 days	361	<b>431</b>	211	<b>87</b>
59-91 days	214	<b>78</b>	323	<b>191</b>
92-182 days	437	<b>165</b>	257	<b>93</b>
183-364 days	653	<b>196</b>	425	<b>133</b>
365+ days	1,703	<b>799</b>	1,252	<b>579</b>
	3,953	<b>2,531</b>	2,936	<b>1,591</b>



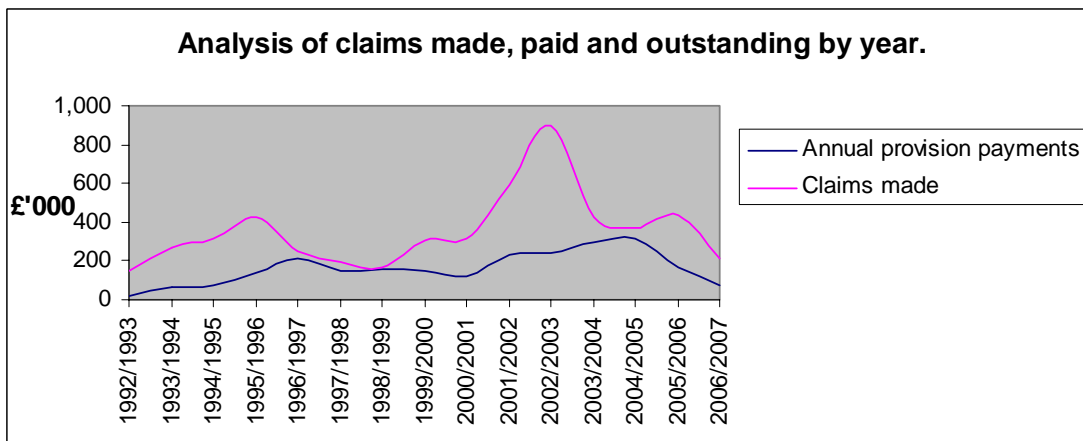
## 6 INSURANCE & RISK MANAGEMENT

### 6.1 Insurance Monitoring

The current balance on the insurance provision is £490K, after making payments of £61K in settlement of claims made, and receiving £1K as credits from the insurers in respect of claims above the excess.

At present, our insurers estimate that the value of claims outstanding is £493K, which relate to a total of 179 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 61% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £300K.

It is highly unlikely that all these outstanding claims will fall due for payment in the same financial year. For 2007/08 it is anticipated that claims paid will amount to approximately £100K, which is easily covered by the current balance on the provision and will still leave it at least a prudent level at the year end. 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.



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## 6.2 Risk Management

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### Strategic Risk Register

The Risk and Insurance Manager has completed the second update of the Strategic Risk Register. This is soon to be further revised to reflect any alterations made in finalising the 2007/08 Corporate Plan, and any other issues that have arisen more recently.

In their one-to-ones with Service Heads, Directors have asked risk owners (Service Heads) to regularly review and update their strategic risks. Feedback given to the Risk and Insurance Manager is then integrated into the strategic risk register.

One of the key purposes of the register is to allow Members to consider and challenge risk when setting their priorities and budgets for future years. The consideration of risk in this way, in the corporate planning process, is an essential element of sound risk management and is reflected in the Council's Use of Resources assessment.

The draft strategic risk register currently has the following as high risks issues in relation to existing/developing priorities:

- *The Council could take on liability for contaminated sites when acquiring land.*
- *Potential regeneration opportunity arising from M6 link road being built could be lost.*
- *Failure to ensure that the Canal Corridor scheme meets local planning objectives.*
- *Failure of Cabinet to prioritise corporate objectives effectively to meet the needs of the district.*

These risks need to be further reviewed and fed into the Budget and Performance timetable in order that any effect on the Council's priorities can be considered.

### Operational Risk Registers

Significant progress has been made with the production of operational risk registers for each service. Council Housing, Economic Development, Cultural Services, Information Services, Health & Strategic Housing, Planning/AONB, City Council (Direct) Services and Financial Services are largely complete. The risks have been identified through a combination of workshops, from reference to previous internal audit reports and through consideration of the Service's Business Plan.

The following major operational risks have been identified within these registers:

#### Economic Development Risk Register

*Objective - To deliver successful regeneration programmes.*

- *Claw-back could result from supplying insufficient supporting documentation for regeneration programmes.*
- *The Authority's reputation could suffer through the failure of a major capital project or cost overrun.*

#### Fraud & Corruption Risk Register

*Objective – The Authority receives value for money on contracts awarded.*

- *The Authority may suffer financial losses through contractors not delivering to required standards.*
- *The Authority may suffer financial losses through contractors claiming/ being paid illegitimately.*
- *The Authority may be subjected to fraud and corruption through the improper award of contracts.*

#### Health & Strategic Housing Risk Register

*Objective – To enable homeless applicants to access decent and suitable accommodation that meets their needs.*

- *The use of bed and breakfast accommodation may be increased through the lack of decent/ suitable homes.*

*Objective – To ensure adequate resources that are properly structured to deliver homelessness objectives.*

- *Homelessness objectives may not be achieved if resources are not targeted to the areas of greatest need.*

#### Information Services Risk Register

*Objective – To avoid breaches of law, statutory, regulatory or contractual obligations.*

- *Non-compliance with statutory, regulatory or contractual requirements through inadequate protection of relevant records.*

These risks need to be regularly monitored and reviewed in order to ensure that the threats to operational success are controlled. This is integral to performance management; hence any issues or difficulties arising in managing such risks, or indeed others that may arise, should be highlighted in the relevant service's PRT meeting. To support this, a central review of PRT reports will be undertaken in future (from a risk management perspective), the results of which will normally feed into the following quarter's corporate report (or more urgent action would be taken if appropriate).

This is the first quarterly update on risk management, following approval of the updated Risk Management Strategy. It is fully expected that the information and actions arising will develop over time but the Head of Financial Services would welcome any feedback in the meantime.

## 7 VFM / EFFICIENCY

As part of the process of embedding VFM, progress on achieving Annual Efficiency savings is now included within this report. At present, the Council is estimating to achieve cumulative savings of £2.026M against a Government target of £1.752M.

A breakdown of the saving on a Service by Service basis is shown at **Appendix B**.

The following table summarises the position and shows that at the end of 2006/07 the Council had already exceeded the target by £480K. However, this does not mean that Services should relax as efficiency is an integral part to ensuring improvement in service delivery. In addition, it is anticipated that the Government will continue with Gershon type savings targets in future years and will actually increase the annual target from 2.5% to 3.0%; details are still awaited.

	Cashable	Non-Cashable	Total
<b>Estimated</b>	<b>1,142</b>	<b>884</b>	<b>2,026</b>
Target	876	876	1,752
<b>Actual to 31.03.07</b>	<b>937</b>	<b>1,295</b>	<b>2,223</b>
<b>Target Exceeded by</b>	<b>61</b>	<b>419</b>	<b>480</b>

## 8 2006/07 OUTTURN VARIANCES

As reported to Cabinet on 24 July 07, Services were required to investigate overspends on controllable budget headings, as these are subject to automatic carry forward. They were required to comment on the overspends and highlight any practical considerations and potential impact on service delivery should the overspend be carried forward.

For this quarter's PRT meetings, a summary of the major spending variances from 2006/07 year end were to be included by each service, together with capital slippage and information on any budgets carried forwards.

This exercise has apparently not been undertaken by the majority of Services affected, however. In view of this it is proposed that Services be required to complete this exercise as soon as possible, with the outcome being reported back into the next round of PRT meetings. Any information available will also be fed into the forthcoming review of the MTFS projections.