



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

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

Report of the Head of Financial Services

Corporate PRT meeting: 02 November 2007

# CORPORATE FINANCIAL MONITORING

April 2007 – September 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 September 2007 (*week 26*).

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. The report also highlights any 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 September there is a net underspending of **£95,000** against the current profiled budget. It is anticipated that this will increase to circa £137K by the end of the financial year. This is £155K less than the previous forecast, and a full analysis of the movements is shown in **Appendix A**. These are still initial projections which are being scrutinised in more detail and updated as part of the current budget process. In due course the Revised Budget for the current year will be reported to Members for consideration / approval.

(For further comparison, the forecast underspending included in the MTFs review was £178K).

VARIANCES	Current £000	Projected £000
Major Variances (see below)	+67	+113
Salaries (see below)	-162	-250
<b>TOTAL</b>	<b>-95</b>	<b>-137</b>

<b>Qtr 1 Position</b>	<b>-57</b>	<b>-292</b>
<b>Net Movement (see below)</b>	<b>-38</b>	<b>+155</b>
Salaries	-61	-50
Qtr 1 Net Movements	-72	+4
Qtr 2 Net New Variances	+95	+201

### 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.

A number of major variances were omitted from the PRT reports and are shown at the bottom of the table. Full details are provided in Appendix A. With regard to Planning, this relates to a recent award of costs following an appeal, and enquiries are ongoing with regard to the insurance position. It is recommended that a briefing note be produced on this but alternatively, Planning Delivery Grant be considered as a source of funding. The Strategic Housing unreported variance relates to the recent Ombudsman decision, which is being considered at Cabinet in November (the timing of this will have impacted on reporting).

SUMMARY BY SERVICE	Current £000	Projected £000
<b>REPORTED VARIANCES :</b>		
Legal & HR	-26	-26
Corporate Strategy	0	+19
Information & Customer Services	+20	+30
Financial Services	-160	-187
Health & Strategic Housing	-10	-10
CC(D)S	-43	-90
Property Services	+60	+87
Econ Dev & Tourism	+47	+40
Cultural Services	+23	+23
Planning Services	+60	+89
	<b>-29</b>	<b>-25</b>
<b>VARIANCES NOT REPORTED :</b>		
Planning Services	+96	+96
Health & Strategic Housing	--	+42
<b>TOTAL NET VARIANCE</b>	<b>+67</b>	<b>+113</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.

To date savings of £262K have been achieved against a profiled target of £100K, resulting in current savings of £162K. Based on previous years, it seems reasonable to expect this saving to increase to £250K by the end of the financial year, especially given the pay claim position. 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	543	539	-4
Corporate Strategy	427	207	204	-3
Cultural Services	1,847	897	858	-39
Democratic Services	432	219	217	-2
Econ Dev & Tourism	601	301	298	-3
Financial Services	1,046	488	485	-3
Health & Strat.Hsg	1,765	854	819	-35
IT & Customer Services	909	441	403	-38
Legal & HR	774	382	368	-14
Management Team	528	256	261	+5
Mellishaw Park	37	18	13	-5
Planning Services	1,315	638	588	-50
Property Services	1,060	502	511	+9
Revenues	2,654	1,288	1,208	-80
<b>Total</b>	<b>14,515</b>	<b>7,034</b>	<b>6,772</b>	<b>-262</b>
<b>Turnover Target</b>	<b>199</b>	<b>100</b>	<b>--</b>	<b>+100</b>
<b>Saving to Date</b>				<b>-162</b>

## 3 General Fund Capital Programme

### 3.1 Capital Expenditure & Financing

#### Capital Expenditure (General Fund)

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

To date only £5.622M has been spent or committed leaving a total of £18.856M 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 overspending 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.

In September the Audit Committee approved changes to the delegated authority for the Head of Financial Services to amend the Capital Programme in certain circumstances, subject to various conditions being met.

As a result of this, 4 new schemes that have been considered by the Asset Management Working Group (to September) are being approved as part of the revised arrangements. The schemes are :

Westgate Cycle Route	£35K
Salt Ayre Cycle Track	£140K
Bike It	£90K
ICON Chip & Pin	£26K

All schemes are fully financed either through external grant or by internal funding.

	£000
<b>Current Programme</b>	<b>24,478</b>
Spend to Date	4,782
Commitments	840
<b>Balance</b>	<b>18,856</b>

	Budget £'000	Spend /Committed £'000	Balance £'000
Flood Defences	3,219	1,316	1,903
Parks & Open Spaces	264	74	190
Community Safety	52	1	51
Highways & Traffic	719	186	533
Econ Dev	10,804	717	10,087
Electronic Gov't	907	636	271
Improving Facilities	2,636	615	2,021
Waste Collection & Recycling	59	555	(496)
General Fund	5,818	1,522	4,296
Housing			
<b>Balance</b>	<b>24,478</b>	<b>5,622</b>	<b>18,856</b>

## Capital Receipts (General Fund)

A report was presented to Cabinet on 09 October setting out the latest position in respect of certain major capital receipts, and sought approval to progress the sale of three specific plots of land. As a result of the approval not all the anticipated receipts for 2007/08 will be received in year, and the programme will need to be re-worked in order to phase the spend in

line with the financing. This is being taken forward as part of the current budget process and reported to Members accordingly.

At the end of September the total value of receipts required to finance the current programme was £3.461M of which £1.820M had been received, leaving a balance of £1.641M to be generated. This position takes on board the phasing of receipts as reported above.

## 4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

### 4.1 HRA Revenue Position

At the end of September the position for the Housing Revenue Account shows an underspend of £60K, which is an increase of £41K on the previous quarter, mainly relating to movements on Housing Subsidy and Dwelling Rents.. The revised estimates are currently being prepared and therefore a more accurate projection for the year will be provided for quarter 3.

The Housing Subsidy position will correct itself after the 2<sup>nd</sup> advance claim is submitted, which will allow for rental constraints; these were not incorporated into the 1<sup>st</sup> advance. The consultancy saving is to be put forward as a virement to support back scanning for the EDMS project. The dwelling rents are currently higher than anticipated due to notional void rent being included. Officers are currently investigating the reasons for this error and will correct the position in due course.

	Variances to Date	Project to Yr End
	£000	£000
Housing Subsidy	+87	0
De minimis capital rcpts	-16	-16
Estates : Electricity	-25	-20
Consultancy	-29	0
Dwelling rents	-77	0
<b>Total</b>	<b>-60</b>	<b>-36</b>
<b>Qtr 1 Position</b>	<b>-19</b>	<b>-31</b>
<b>Movement</b>	<b>-41</b>	<b>-5</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 £77K more than estimated. See comments above for explanation.

	2006/07	2007/08
Estimate	£5,281,800	£5,319,200
Actual	£5,341,271	£5,396,662
<b>Difference</b>	<b>-£59,471</b>	<b>-£77,462</b>
<b>Qtr 1 Position</b>	<b>-£26,008</b>	<b>-£38,006</b>

### 4.3 Council Housing Capital Programme

This section analyses actual spend and commitments against the Council Housing Capital Programme to the period ended September 2007. The programme has been updated for slippage of £157K from 2006/07. To date £2.506M has been committed (of which only £648K has actually been spent), leaving a further £1.178M still to commit.

The low level of spend was of concern in quarter 1, but at that time no information on commitments was reported.

Based on current projections, it is anticipated that there will be an underspend of £149K on the Housing Capital Programme in the current financial year; again this will be reported as part of the budget exercise.

	Latest Approved Programme £000	Spend & Commitments to Date £000
Adaptations	200	75
Bathroom / Kitchen Refurbishment	1,035	461
External Refurbishment	1,547	1,380
Environmental	397	287
Extractor Fans	80	0
Energy Efficiency Works	425	303
<b>TOTAL</b>	<b>3,684</b>	<b>2,506</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	53.72	53.81
Business Rates	52.76	61.32

### 5.2 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts. At the end of September the total debt outstanding was £2,047,000.

The analysis shows that the overall level of debt has increased by £25K from the previous quarter. It can be seen though, that the debt over one year old has remained virtually the same. Of the overall debt, 35% is just over one year old.

When compared to the same period last year, there has been an overall decrease of £66K in the level of debt, and a reduction of 260 in the number of invoices outstanding.

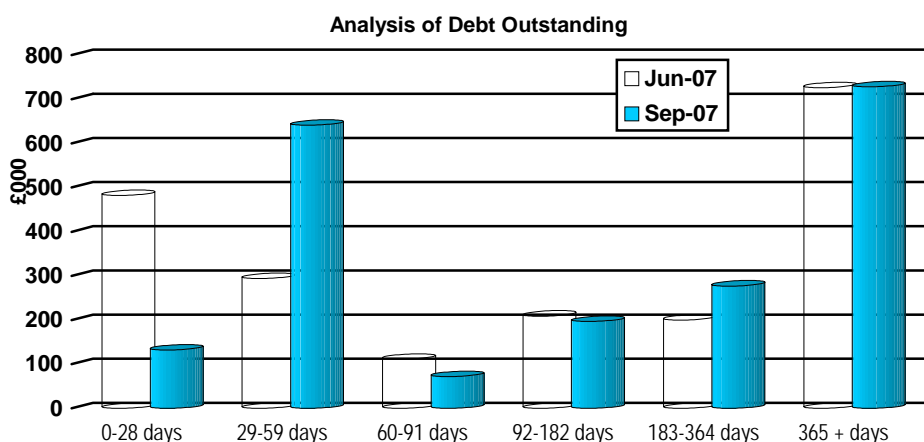
**Appendix B** provides a breakdown of the action being taken on outstanding debt over 90 days old. The snapshot has been taken as at 31 August in order to report into this quarter.

In accordance with the Debt Management guidance Services are required to report on debt that has been written off. This is summarised in the table opposite. Further details are available if required.

	June 2007		Sept 2007	
	No.	£000	No.	£000
0-28 days	692	<b>482</b>	506	<b>132</b>
29-59 days	277	<b>294</b>	637	<b>641</b>
60-91 days	278	<b>111</b>	224	<b>72</b>
92-182 days	908	<b>209</b>	669	<b>197</b>
183-364 days	594	<b>200</b>	970	<b>277</b>
365+ days	1,597	<b>726</b>	1,673	<b>728</b>
	4,346	<b>2,022</b>	4,679	<b>2,047</b>
Previous Year	--	--	4,939	2,113

#### Write Offs processed since 6th April 2007

Service	Under £500	Over £500
Property Services	£2,993.79	£5,432.98
Health & Strategic Housing	£2,159.13	£3,892.25
Council Housing	£29,826.74	£36,032.44
Financial Services	£94.70	
CC(D)S	£3,657.99	
Cultural Services	£499.25	
Building Control	£597.82	
<b>Total</b>	<b>£39,829.42</b>	<b>£45,357.67</b>



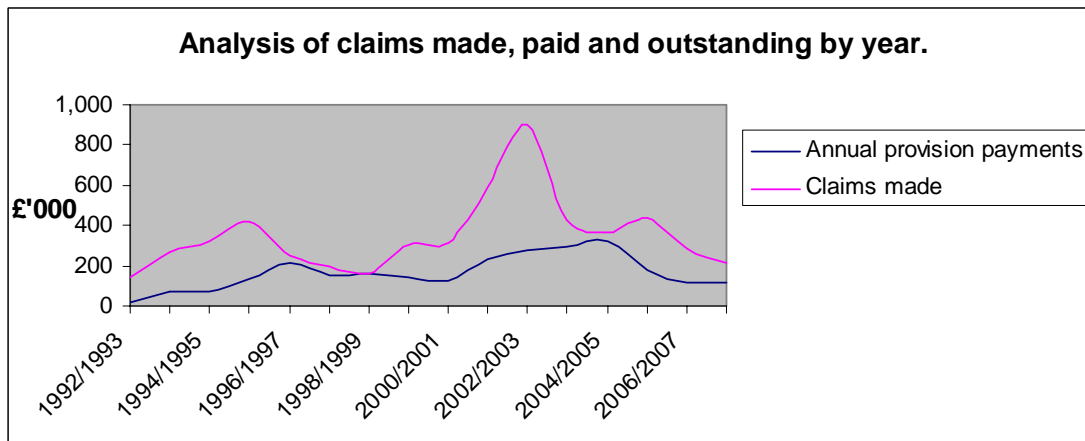
## 6 INSURANCE & RISK MANAGEMENT

### 6.1 Insurance Monitoring

The current balance on the insurance provision is £233K, after making payments of £118K 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 £458K, which relate to a total of 199 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 59% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £270K.

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 £240K. That is, a further £122,000 in claims payments, which is easily covered by the current balance on the provision and should still leave it at 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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### Corporate Risk Register

The Risk and Insurance Manager has completed the third update of the Corporate Risk Register. This has been revised to reflect alterations made in finalising the 2007/2008 Corporate Plan, and 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 within the Corporate Plan. Feedback given to the Risk and Insurance Manager is then integrated into the Corporate Risk Register.

One of the key purposes of the register is to allow members to consider 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 Corporate Risk Register currently has the following as high risks issues in relation to existing/developing priorities. The attached report from the register shows the current and target scores for each of these risks, together with the necessary Risk Treatment Actions (RTAs) required.

- *The Council could take on liability for contaminated sites when acquiring land. (R/0004)*
- *Potential regeneration opportunity arising from M6 link road being built could be lost. (R/0115)*
- *Failure to ensure that the Canal Corridor scheme meets local planning objectives. (R/1031)*
- *Failure of Cabinet to prioritise corporate objectives effectively to meet the needs of the district. (R/0128)*
- *Funding for the Council's regeneration programmes may be clawed back. (R/1299)*
- *Loss of Performance Management System (R/1351)*

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.

At this stage, consideration should be given as to whether it is felt that from the information attached, risks are being adequately controlled, and also whether there could be further risk issues that have not already been identified.

### Service Risk Registers

Significant progress has been made with the development and improvement of risk registers for each service. Council Housing, CC(D)S, Health & Strategic Housing, Financial Services, Economic Development, Corporate Strategy and Information & Customer Services have been completed and are now directly linked to their own Service's Business Plan. Where appropriate, the necessary links have also been made to performance management, although further work is still required to fully integrate this with the Escendency performance management system.

The following major risks have, so far, 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.*

#### 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 the above risks, or indeed others that may arise,

should be highlighted in the relevant service's PRT meeting.

Comments are welcome regarding any risk concerns relating to these, or indeed any other perceived operational risks.

## **7 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, as part of their PRT reports, on the overspends and highlight any practical considerations and potential impact on service delivery should the overspend be carried forward.

This exercise has not been undertaken by a number of services, however, and Financial Services have also struggled to co-ordinate and support the exercise, due to other work demands. The only three services to report were Economic Development & Tourism, Finance and Property Services. From a broad analysis of the outturn, and whilst not all services incurred overspendings, it would seem that Planning Services, Cultural Services, Information and Customer Services and CC(D)S still have a need to report.

Given the circumstances and timing, It is recommended that this be completed in revising the budget for the current year.