

# **Corporate Financial Monitoring**

## **Quarter 2: July – September 2013**

Report of: Financial Services Manager

# 1 Introduction

This monitoring report for 2013/14 sets out an indicative corporate picture of the Council's financial performance for the period ending 30 September 2013.

The report summarises the budgetary variances arising through services' monitoring, and also identifies any omissions, updates and/or actions required. In addition there are various other specific sections for salary monitoring, capital expenditure and financing, the Housing Revenue Account (HRA), revenue collection performance and various reserves. The content and format of this report will continue to evolve, to draw on both national and local finance matters.

## 2 General Fund Revenue Monitoring

### 1.1 General Fund Summary Position



The current overall General Fund summary position shows that at the end of September there is a net underspend of **£383K** (*Qtr1 £152K underspend*) against the budget. This is currently forecast to increase to **£506K** (*Qtr1 £239K underspend*) by the end of the year.

|                   | <b>Annual<br/>Budget<br/>£000's</b> | <b>Profiled<br/>Budget<br/>£000's</b> | <b>Actual<br/>£000's</b>    | <b>Current<br/>Underspend<br/>£000's</b> |
|-------------------|-------------------------------------|---------------------------------------|-----------------------------|--|
| Salaries          | 16,590                              | 8,206                                 | 8,065                       | (141)                                    |
| Other Net Budgets | 3,229                               | (1,907)                               | (2,149)                     | (242)                                    |
| <b>Total</b>      | <b>19,819</b>                       | <b>6,299</b>                          | <b>5,916</b>                | <b>(383)</b>                             |
|                   |                                     |                                       | <i>Full Year Projection</i> | <b>(506)</b>                             |

### 1.2 Main Budget Variances

**Annex A** details the major true variances identified to date that have been included within individual services' monitoring 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.

| <b>SUMMARY BY SERVICE</b> | <b>Current<br/>£000's</b>  | <b>Current<br/>Year<br/>Projection<br/>£000's</b> | <b>Future<br/>Years<br/>Projection<br/>£000's</b> |
|---------------------------|----------------------------|---|---|
|                           | ( ) Favourable / + Adverse |   |   |
| Environmental Services    | (80)                       | (21)  | +1  |
| Governance                | (102)                      | (108)   | (16)  |
| Health & Housing          | (29)                       | (11)  | +20   |
| Regeneration & Planning   | (3)                        | (13)  | +52   |
| Resources                 | (28)                       | (3)   | (91)  |
| <b>TOTAL VARIANCES</b>    | <b>(242)</b>               | <b>(156)</b>                                      | <b>(34)</b>                                       |

It should be noted that one specific variance of +£52,200 has arisen in relation to the charging on bins and boxes within Environmental Services. The overspend is due to a combination of having to replace a significant number of the first batch of bins the Council provided (due to them breaking) and the fact that charging has not yet been introduced. The original Budget Council resolution on 27 February approved charging subject to it being given further consideration by Cabinet. As a result savings of £60K were added to the 2013/14 budget and £80K per annum for future years.

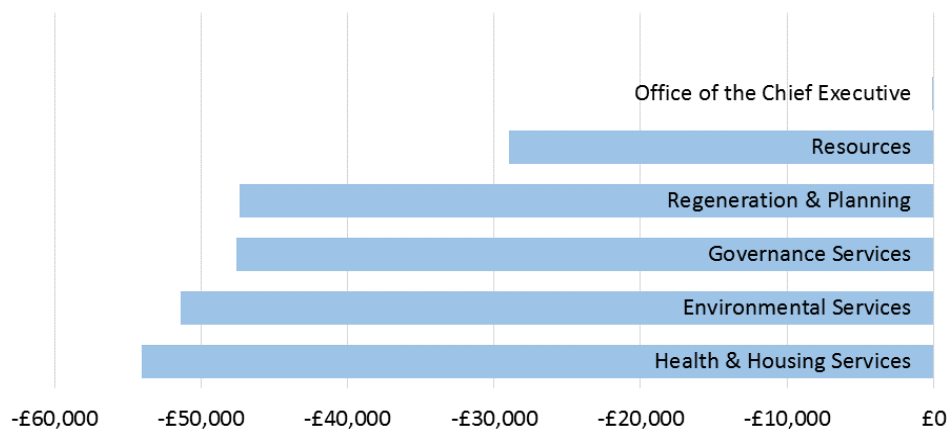
Cabinet will be asked to consider when to implement charging as part of the Fees and Charges report which will be presented to Members in December.

### 1.3 General Fund Salary Monitoring

Salary monitoring is reported separately, as in aggregate terms any variances can have significant effect.

To date total savings of £229K (Qtr2 2012/13 - £376K) have been achieved, which is some **£141K** (Qtr2 2012/13 - £291K) above the £88K profiled turnover target. This allows for the recently approved 1% pay award. A very simple projection would indicate that salary savings could reach around £350K (Qtr1 £200K) by the end of the year, but a more detailed review is currently underway to analyse vacant posts to give a more accurate savings projection.

The following graph shows the savings on a Service by Service basis.

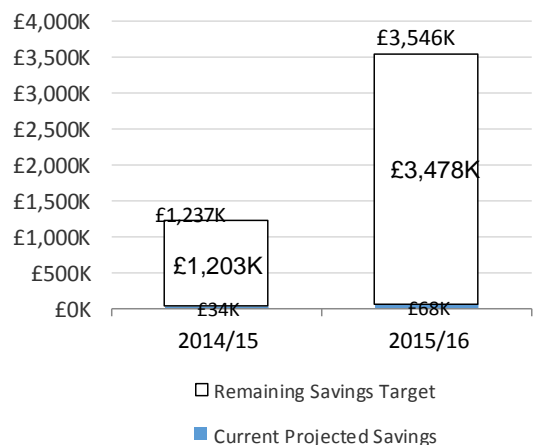


In terms of future years, staffing implications will be included in specific budget proposals. On the downside, however, the recent triennial review of the Pension Fund to inform future employer contribution rates is expected to result in additional cost pressures. This will be reported to Members in due course.

### 1.4 Future Years' Savings Requirements

The targets have been updated to reflect the report to Cabinet in October, following the latest Government consultation on funding.

The earlier table shows that there are indicative on-going net savings of £34K (excluding staffing) in future years.



This is a reduction of £76K on the Qtr1 forecast, mainly as a result of additional water charges and reductions in income.

Clearly, the savings to date do not yet make assumptions regarding the various service reviews and other planned budget reduction actions, so the £34K it is not yet representative of the progress being made.

## 2 General Fund Capital Programme

### 2.1 Capital Expenditure & Financing

At the end of September there were spend and commitments of £2.249M against the programme of £5.944M. Details of spend against each scheme is shown at **Annex B**.

Two changes to the capital programme have been approved in this quarter in respect of the following:

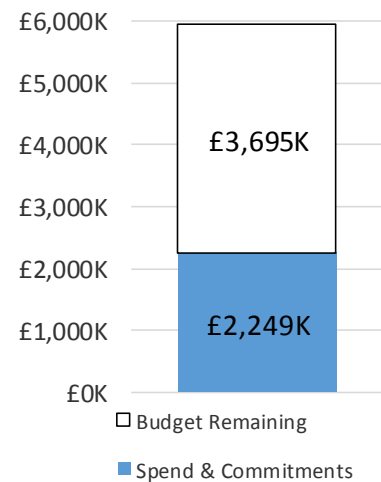
- o Teal Bay Flood Defence Works £71K: Cabinet 23 July 2013.
- o 2012/13 slippage £438K: Cabinet 23 July 2013.

It should also be noted that updates will be made for vehicle purchases under delegated powers, as and when all orders have been completed.

In addition, there has still been no update to the programme in respect of Lancaster Market, but this will be reported back to Council in due course.

In terms of financing, receipts of £71K (£50K relating to vehicle sales) have been received from the total £9.443M required to finance the 2013/14 capital programme. The main receipt relating to land at South Lancaster is still outstanding and as such, various schemes wholly funded by Council resources are still on hold.

The performance of the Council's property portfolio has strong linkages with capital investment and financing, and therefore at this point attention is drawn to the Property Group report at **Appendix E**, provided alongside this financial monitoring report.



## 3 Revenue Collection Performance

### 3.1 Collection Fund Monitoring

#### 3.1.1 Council Tax Yield (Total Collectable)

This section provides a summary analysis of the current surplus or deficit on the Fund, shown in the table below. Such a surplus or deficit arises because of the great many changes in liability that occur throughout the year. Furthermore, any difference between estimated and actual collection performance will ultimately have a bearing.

The table goes on to compare budgeted council tax yield, or total amount collectable, with the yield position as at 30 September:

|   |   |                                       |       | £000's         |
|---|---|---------------------------------------|-------|----------------|
| <b>Collection Fund Surplus (September 2013)</b> |   |                                       |       | <b>(1,320)</b> |
| <b>Represented by:</b>                          |   |                                       |       |                |
| Collection Fund Surplus b/fwd                   |   |                                       |       | (365)          |
| <i>In-Year Movements to Date:</i>               |   |                                       |       |                |
| Lower Council Tax Support than estimated        | (£955K) total in-year                     |                                       |       | (392)          |
| Lower Second/Empty Homes income                 | surplus                                   |                                       |       | +68            |
| Other Movements in Tax Base                     |   |                                       |       | (631)          |
|   |   |                                       |       | <b>(1,320)</b> |
| <b>Compared to:</b>                             |   |                                       |       |                |
|   | <b>Budgeted<br/>Projection<br/>£000's</b> | <b>Actual<br/>Position<br/>£000's</b> |       |                |
| Total Council Tax Collectable (Yield)           | 57,030                                    | 58,014                                |       |                |
| Actual amount collected                         | (33,371)                                  | (33,371)                              | 57.5% |                |
| Amount Outstanding                              | 23,659                                    | 24,643                                |       | <b>(984)</b>   |

As at 30 September, an estimated surplus of £1.320M (*Qtr1 £1.144M*) is apparent, which is significantly higher than for the same period last year, and an increase of £176K on the Qtr1 position.

This year's position is made up of:

- a surplus brought forward from 2012/13 of £365K;
- £392K lower than estimated council tax support. This will continue to fluctuate as claimants' circumstances change, but since establishing the scheme proposals back in the autumn/winter of 2012, the trend is still that the total support being claimed is lower than expected;
- £68K lower than estimated income from second/empty homes. There is still no clear analysis as yet to show how much of this relates to empty homes being brought back into use, and how much is due to other changes in circumstances.

This leaves a balance of £631K (*Qtr1 £475K*) relating to other movements in the tax base or other factors which have still to be substantiated. It is still proving difficult to determine the factors generating this element of the surplus; this is a high priority for officers. This links to issues being experienced in completing the Government's annual Council Tax Base return (CTB1). Other councils are also experiencing difficulties.

Nonetheless, the table clearly demonstrates that currently, overall yield is higher than was forecast in setting the 2013/14 budget. Although as yet it does not align exactly with the current in-year surplus on the Collection Fund, (*£984K compared to £955K*), given the complexities it is within reasonable tolerances.

Any Collection Fund surplus or deficit is shared between the relevant precepting bodies and the City Council's share is 13%; based on the current estimated surplus, this would amount to £171K (the equivalent of almost 2% in city council tax terms). As various figures have yet to be substantiated, this has not been allowed for against future years' savings targets (section 1.4 of this report).

### 3.1.2 Business Rates Yield (Total Collectable)

Following the introduction of the Business Rates Retention Scheme, it is still the intention to include a new section in future monitoring reports to assess business rate yield against original projections and funding assumptions, and what this may mean for the Council and the major precepting authorities going forward. A little progress has been made, however there is still more work needed in this area, in order to understand fully the implications, but the work needs to fit with other priorities and demands.

### 3.2 Council Tax and Business Rates Collection

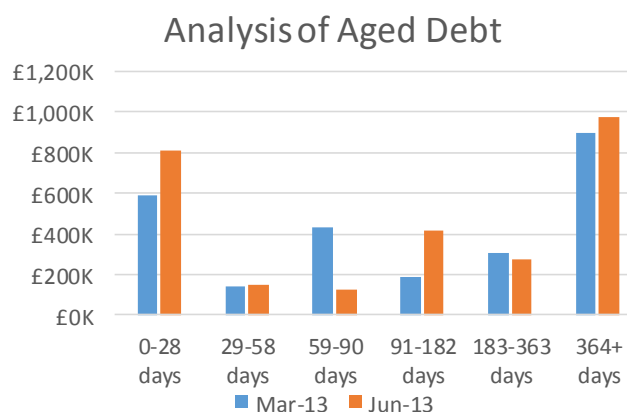
The council tax collected is slightly below target. This is considered more a reflection of the opportunity for taxpayers to pay by 12 rather than 10 installments and the levy of additional charges on long term empty properties, rather than any direct impact resulting from welfare reform changes. Encouragingly though, the percentage of NNDR collected is still ahead of target at the end of the second quarter.

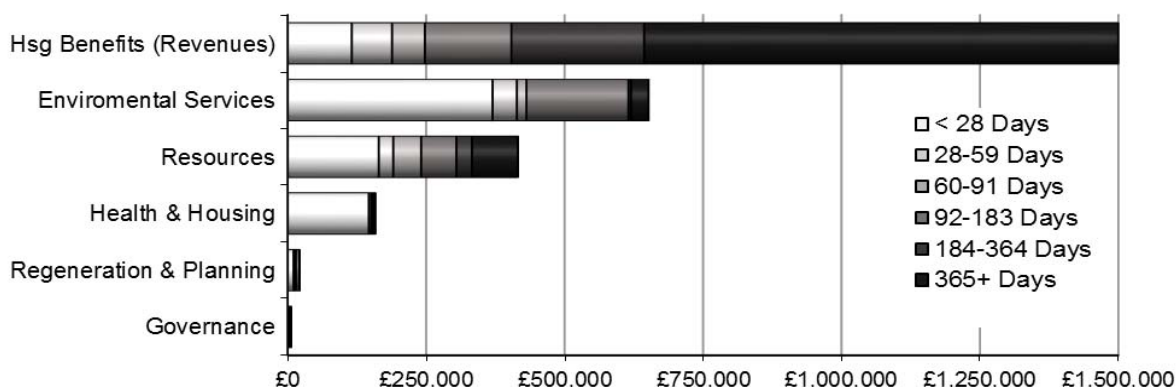
| Percentage Collected | 2012/13 % | 2013/14 % | 2013/14 Target % | 2013/14 Actual % | Status                 |
|----------------------|-----------|-----------|------------------|------------------|------------------------|
|                      | All Years |           | In Year          |                  |                        |
| Council Tax          | 53.4      | 52.5      | 58.2             | 57.5             | Slightly behind Target |
| Business Rates       | 59.5      | 59.8      | 59.3             | 60.3             | Ahead of target        |

### 3.3 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of September the total debt outstanding was just over £2.7M, which is £191K more than the previous quarter. This is mainly due to half yearly invoices being raised prior to the end of September.

|               | June 13 | Sept 13 |
|---------------|---------|---------|
|               | £000's  | £000's  |
| 0-28 days     | 591     | 808     |
| 29-58 days    | 142     | 152     |
| 59-90 days    | 435     | 128     |
| 91-182 days   | 186     | 415     |
| 183-363 days  | 310     | 274     |
| 364+ days     | 898     | 976     |
|               | 2,562   | 2,753   |
| Previous Year | 2,977   | 2,748   |





Attached at **Annex C** is an update on the status of debt greater than 90 days old. This shows what action is being taken in relation to the debt and at what stage the recovery is at.

## 4 Welfare and Housing Benefit Reforms

The Government's welfare reforms represent the most fundamental changes to the benefits system since the creation of the welfare state. While the reforms are intended to reduce dependency on social security and to encourage employment, they also play a key part in the Government's deficit reduction strategy – to generate projected savings of more than £15 billion per year across Britain by the end of this Parliament.

Details of the various changes and their current impact are set out in detail at **Annex D**. This provides updates on issues such as the Council Tax Support Scheme, Under Occupancy Penalties, Discretionary Housing Payments and Universal Credit.

## 5 Housing Revenue Account (HRA)

### 5.1 HRA Revenue Position

**i** At the end of September the position for the HRA shows an underspend of **£16K** (*Qtr1 +£55K overspend*) against the profiled budget, which is currently projected to become an overspend **£73K** (*Qtr1 £87K overspend*) by the end of the year. Details of the variances are as follows:

| SERVICE AREA                                    | Current<br>£000's | Current<br>Year<br>Projection<br>£000's | Future<br>Years<br>Projection<br>£000's |
|---|-------------------|---|---|
| () Favourable / + Adverse                       |                   |   |   |
| Central Control – rent                          | +7                | +7                                      | +1                                      |
| Central Control – contracted services*          | +3                | +38                                     | ?                                       |
| Central Control – service charges recovered     | (7)               | (8)                                     | ?                                       |
| Central Control – services charges : Telecare** | 0                 | +24                                     | +24                                     |
| Insurance premiums                              | (11)              | (11)                                    | (11)                                    |
| Mgt & Admin – printing & stationery             | (8)               | (7)                                     | (7)                                     |
| Council Housing Rents ***                       | 0                 | +30                                     | +11                                     |
| <b>Total</b>                                    | <b>(16)</b>       | <b>+73</b>                              | <b>+18</b>                              |

\*As a result of the changes in future provision of Lancashire Telecare and Supporting People, additional costs will be incurred to establish robust disaster recovery and business continuity arrangements.

\*\*The number of Lancashire Telecare referrals received from the County Council has significantly reduced during the period leading up to the County determining options for the future provision of the service. As a result the budgeted income for the current year will need to be revised down during the next budget process. Regarding future years, the Council will have decisions to take regarding its involvement in this activity.

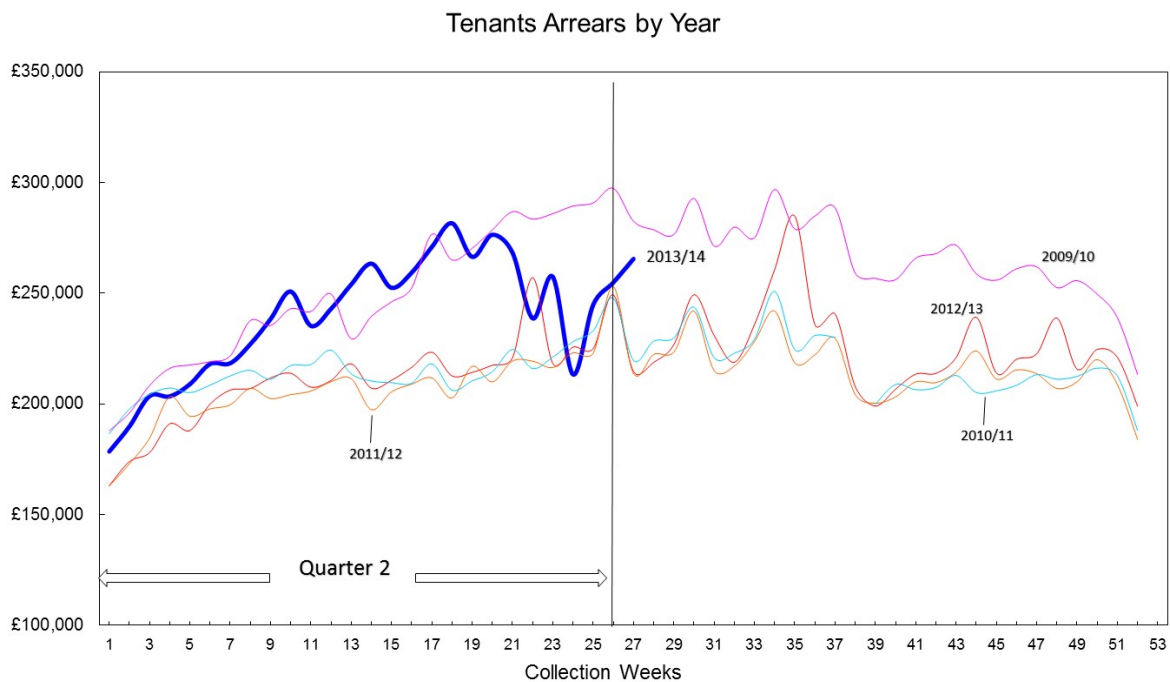
\*\*\*Rental income from council houses is projected to be down slightly as a result of higher than anticipated property sales, as reported in Qtr1.

## 5.2 Council Housing Rent Arrears

This section monitors the level of tenant arrears, to indicate any impact from welfare reforms and/or the wider economy on rent collection and in turn, to inform whether any specific actions are necessary. It will also feed into future reviews of the bad debt provision.

The following chart shows the current level of arrears compared to the previous 4 years. At the end of September, the level of arrears for 2013/14 is £254K which is unchanged from the previous quarter despite several fluctuations.

*Annex D* (s8.3) refers to the introduction of the Council Tax support scheme having a negative impact on Housing Benefit processing times in the first quarter of the year, which may explain the higher than anticipated level of arrears and the subsequent reduction as processing times improved. This will continue to be monitored but it is too early to determine any full year likely impact, or reach any other conclusions.





### 5.3 HRA Capital Programme

This section analyses actual spend and commitments against the Council Housing Capital Programme at the end of September. To date spend and commitments total £2.146M against a budget of £4.843M leaving a balance of £2.697M. As with General Fund, the HRA programme has now been updated for slippage.

|  | Current Approved Programme<br>£000's | Spend & Commitments to Date<br>£000's | Budget Remaining<br>£000's |
|--|--------------------------------------|---------------------------------------|----------------------------|
| Adaptations                            | 300                                  | 63                                    | 237                        |
| Energy Efficiency / Boiler Replacement | 660                                  | 150                                   | 510                        |
| Bathroom / Kitchen Refurbishment       | 644                                  | 337                                   | 307                        |
| External Refurbishments                | 1,269                                | 796                                   | 473                        |
| Environmental Improvements             | 900                                  | 326                                   | 574                        |
| Rewiring                               | 83                                   | 27                                    | 56                         |
| Fire Precaution Works                  | 300                                  | 39                                    | 261                        |
| Lift Replacement                       | 110                                  | 0                                     | 110                        |
| Re-roofing / Window Renewals           | 544                                  | 397                                   | 147                        |
| PV Solar Panels                        | 21                                   | 0                                     | 21                         |
| Total Mobile Upgrade                   | 12                                   | 11                                    | 1                          |
| <b>TOTAL</b>                           | <b>4,843</b>                         | <b>2,146</b>                          | <b>2,697</b>               |

The chart displays two stacked bars. The bottom bar, representing 'Spend & Commitments', is blue and reaches the £2,146K mark. The top bar, representing 'Budget Remaining', is white with a black border and reaches the £2,697K mark. The total height of the stacked bars is £4,843K, which corresponds to the 'Current Approved Programme' total in the table above. The Y-axis is labeled from £0K to £6,000K in increments of £1,000K.

## 6 Provisions and Reserves

This section provides an update on key provisions and reserves, and balances.

### 6.1 General Fund Unallocated Balance

The current position with regards to unallocated Balances is set out below.

|   | £000's       |
|---|--------------|
| Original projected balance as at 31 March 2013                  | 2,635        |
| Add: 2012/13 underspend   | 547          |
| Less: Carry forwards (subject to full approval)                 | (101)        |
| Add: Budgeted Contribution for 2013/14                          | 367          |
| Add: Current Projected In-Year Underspend                       | 506          |
| <b>Latest Projected Unallocated Balance as at 31 March 2014</b> | <b>3,954</b> |
| Minimum Level   | 1,000        |
| <b>Amount Available to Support Future Years' Budgets</b>        | <b>2,954</b> |

The table shows that if the current projected net underspending materialises Balances would be £3.954M (*Qtr1* £3.687M) by the end of the financial year, which leaves £2.954M (*Qtr1* £2.687M) to support future years' budgets, after allowing for the minimum approved levels.

## 6.2 Insurance Provision

The current balance on the insurance provision is £383K, after making net payments of £85K in settlement of claims made. The estimated value of claims outstanding is £222K, which is £161K less than the current provision. A full review of the provision will be undertaken as part of the current budget process.

## 6.3 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 in simple terms based on assumed levels of write-off as a proportion of debt outstanding. Based on the figures shown in section 3.3 the level of provision would be as follows:

| Period                  | Debt<br>£000's | % Cover<br>Required | Value<br>£000's |
|-------------------------|----------------|---------------------|-----------------|
| Up to 1 Month           | 808            | 1%                  | 8               |
| 1 Month to 3 Months     | 280            | 5%                  | 14              |
| 3 Months to 365<br>Days | 689            | 10%                 | 69              |
| Over 365 Days           | 976            | 50%                 | 488             |
| <b>TOTAL</b>            | <b>2,753</b>   |                     | <b>579</b>      |

The current balance on the General Fund Bad Debt provision is £589K (*Qtr1 £609K*) which is £10K (*Qtr1 £75K*) above the requirement indicated, but that is after allowing for this year's contribution of £100K and write-offs of £70K. Currently, therefore, the balance is considered reasonable but the prospects for recovery of increasing levels of HB overpayments (see Annex A) will need more detailed consideration over the coming months.

## 7 Exceptions to Tender

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In accordance with the latest approved contract procedure rules (updated January 2013), all exceptions to tender will be reported as part of the quarterly corporate monitoring process.

Exemptions were granted for the following contracts in the second quarter of the year:

**Contract:** Lancaster Square Routes – Centre Piece for Market Square, Lancaster.

**Reason for Exception:** For procurements over £100K tenders should be openly advertised, however this request was to carry out a restricted tender process with eleven selected contractors who could undertake the bespoke commission required. Officers did not believe that the artists with the required skills for this project would be registered on "The Chest" which is the council's portal used for open tenders.

Although the request was granted the tender has subsequently been let on an open basis following communication from the funding body ERDF. This is despite initial meetings with

ERDF officers where the council's original procurement route was discussed and no issues were raised.

## **8 Risk Management**

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No other major risk changes have been highlighted in the period to 30 September. There have been positive developments regarding Luneside East and key asset sales, subsequent to that date. Otherwise, in very broad terms it is still considered that the main risks facing the Council are linked to meeting its future financial challenges.

Separately, the Council's risk management arrangements are currently being audited and this may result in some changes in due course, including reporting arrangements.

## SUMMARY OF GENERAL FUND MAJOR VARIANCES (Qtr 2 2013/14)

| Service                | Service Area  | Variance<br>to Date   | Current<br>Year<br>Projection | Future<br>Years<br>Projection | Reason for Variance & Action being taken  |  |
|------------------------|---|---|-------------------------------|-------------------------------|---|--|
|                        |   | £   | £                             | £                             |   |  |
|                        |   | + = Adverse ( ) = Favourable                                    |                               |                               |   |  |
|                        |   | VARIANCES REPORTED THROUGH PRT PROCESS (CHIEF OFFICER COMMENTS) |                               |                               |   |  |
|                        | Assembly Market & Street Traders Income                     | +7,100  | +7,100                        | +7,100                        | Reduction of occupancy of Assembly Rooms.   |  |
|                        | Morecambe Market - Income                                   | +19,700   | +33,700                       | +33,700                       | Currently experiencing a 17% vacancy rate compared to 12% in 2012/13 - various incentives being offered to attract new business however due to economy no significant improvement expected.                                     |  |
|                        | Public Realm - County Contribution                          | +9,700  | +0                            | +0                            | Decision by Lancs County Council to freeze inflation on their contribution will be managed within budgets.  |  |
| Environmental Services | Nursery Income  | +20,000   | +20,000                       | +20,000                       | Income down for second year running due to economy - outturn expected to be similar to 2012/13.   |  |
|                        | Street Cleaning - Equipment & Tools                         | (10,000)  | (10,000)                      | (10,000)                      | Contract for provision of new litter bins terminated. Bins will now be purchased as and when required.  |  |
|                        | Off-Street Car Parks - Utilities                            | (8,600)   | (18,600)                      | (17,300)                      | Electricity - reduced consumption and costs based on current charging levels.   |  |
|                        | Off-Street Car Parks - Fees and Evening Parking             | +14,300   | +0                            | +0                            | Reduced income in Q1 and Q2 to be offset by compensation from United Utilities for the closure of Wood Street Car Park.   |  |
|                        | Off-Street Car Parks - Income General                       | +2,400  | (21,200)                      | +0                            | Profit share from Parksafes from the original management agreement.   |  |
|                        | White Lund Depot  | (7,300)   | (12,700)                      | (12,700)                      | Savings re: security contract and waste disposal costs.   |  |
|                        | VMU - Materials   | (5,000)   | (5,000)                       | (5,000)                       | Based on previous outturns, over-provision removed.   |  |
|                        | Waste Collection - Bins & Boxes                             | +35,000   | +52,200                       | +52,200                       | Decision to introduce charging for bins and boxes has not been implemented as yet. Besides which a significant number of the first bins to be issued have had to be replaced due to breakage.                                   |  |
|                        | Vehicles - Fuel   | (23,800)  | (66,700)                      | (66,700)                      | Fuel price currently consistent with last years prices. Should price stay constant then project variance should be achieved.  |  |
|                        | Highways  | (134,200)   | ??                            | ??                            | County Council rates used on internal jobs. These jobs are completed at costs lower than estimates thus generating surpluses plus priced jobs for the County also generate a surplus. Material prices are currently favourable. |  |
| Governance             | Search Fee income   | (9,600)   | (16,600)                      | (16,600)                      | Continued increase in number of full searches together with reduction in software costs.  |  |
|                        | Members Expenses  | (5,400)   | (10,500)                      | (10,200)                      | Current level of allowances less than anticipated.  |  |
|                        | Democratic Services Management                              | (6,700)   | (9,000)                       | (5,000)                       | Various minor savings.  |  |
|                        | Partnerships Team - County Contributions                    | +0  | (6,500)                       | +0                            | Additional income from remaining Second Homes Funding for admin support to closedown of LSP.  |  |
|                        | Corporate & Partnerships Initiatives - County Contributions | (80,000)  | (80,000)                      | +0                            | Children and Young People income from County budget updated at revised.   |  |
|                        | Licensing Premises Fees                                     | +0  | +15,000                       | +15,000                       | Reduced premises licences fee income under 2003 Act due to reduction in number of licences required by University. (as per outturn).  |  |

| Service               | Service Area                                 | Variance to Date  | Current Year Projection | Future Years Projection | Reason for Variance & Action being taken   |
|-----------------------|--|---|-------------------------|-------------------------|--|
|                       |  | £   | £                       | £                       |  |
|                       |  | + = Adverse ( ) = Favourable                                    |                         |                         |  |
|                       |  | VARIANCES REPORTED THROUGH PRT PROCESS (CHIEF OFFICER COMMENTS) |                         |                         |  |
| Health & Housing      | Sports & Physical Activity Admission fees    | (1,100)   | (6,500)                 | (4,500)                 | Increase in admission fees as a result of some additional activities with Primary Schools.   |
|                       | Wellbeing Waste Water increase to charges    | +17,900   | +7,600                  | +15,200                 | This projected variance is an estimate and is a combination of uncontrollable United Utilities Surface water and drainage charges. Charges will be phased in and could potentially rise to £45.7k in year 6. Charges are being reviewed in some areas and measures explored to reduce the drainage systems to reduce charges.  |
|                       | SASC M&A income                              | +6,000  | +12,400                 | +0                      | The solar panels at Salt Ayre were recomissioned in September and are now producing income from feed in tariffs which had originally been budgeted for from April.   |
|                       | Regent Park Café                             | +3,800  | +7,400                  | +0                      | Café vacated, re-letting options being explored.   |
|                       | Reflexions Income                            | (4,200)   | (28,500)                | (28,500)                | Increased income due to improved yield management of membership types and facility promotion.  |
|                       | Heysham Pool Income                          | (39,900)  | +10,800                 | +5,400                  | Cancelled private hirers.  |
|                       | Stand-by callout                             | +700  | (8,900)                 | (17,200)                | Changes to working patterns/rotas re stand by call out payments.   |
|                       | Williamson Park - various areas              |   | (22,400)                | (4,000)                 | Combination of small savings in expenditure and additional income in some areas but in particular the Café operation (excluding standby savings).  |
|                       | Cemeteries - Water Services                  | +1,300  | +5,400                  | +42,000                 | United utilities have informed the cemeteries team of an increase in charge for water services from April 2014. The increase is to be phased in over 6 Years and the team are awaiting the outcome of appeals and final charge letter. Without any appeals by the Cemeteries team there would be an increase amounting to £42K.  |
|                       | Pest Control - Income                        | (13,900)  | +11,900                 | +11,900                 | Improved weather in the summer led to an increase in pests in comparison to last year. Demand for the Pest Control Service has decreased when comparing the overall income for the past four years.  |
| Regeneration & Policy | Development control income                   | (72,900)  | (50,000)                | (50,000)                | Planning Application Fees upturn in market.  |
|                       | Building Regulations Application Fees Income | +14,500   | +36,800                 | +36,800                 | Fewer fee bearing applications received due to external competition from approved inspectors delivering a private service.   |
|                       | Middleton Wood Nature Reserve                | (9,800)   | (9,300)                 | +0                      | Income received in 2013/14 which was budgeted for in 2012/13.  |
|                       | Winning Back West End Property Account       | +65,600   | +0                      | +65,900                 | Increased R & M due to deterioration of empty properties and increased Council Tax/Rate charges due to being empty more than 2 years. Offset by HCA funding in 2013/14, however £65.9K budget shortfall in 2014/15 rising to £153.6K from 2015/16 onwards as HCA funding runs out. Expected to be mitigated as and Phase 1 and 2 of Chatsworth Gardens scheme refurbished. |
|                       | Bold Street                                  | +0  | +9,400                  | +0                      | Budget variance relates to emergency demolition works that need to be undertaken re Winterdyne Garages on Bold Street.   |

| Service   | Service Area                        | Variance to Date  | Current Year Projection | Future Years Projection | Reason for Variance & Action being taken  |
|-----------|-------------------------------------|---|-------------------------|-------------------------|---|
|           |                                     | £   | £                       | £                       |   |
|           |                                     | + = Adverse ( ) = Favourable                                    |                         |                         |   |
|           |                                     | VARIANCES REPORTED THROUGH PRT PROCESS (CHIEF OFFICER COMMENTS) |                         |                         |   |
|           | Moor Lane Mills - Rent              | +57,500   | +57,500                 | +0                      | Correction of invoice allocation between financial years (historic).  |
|           | Euston Road, Morecambe              | +15,700   | +38,000                 | +14,500                 | 56-58 vacant and anticipate re-letting next year, although at a reduced rent from previously budgeted. 60 let from June 2013.   |
|           | Lancaster Bus Station rates         | +7,100  | +7,100                  | +7,100                  | Reduction in transitional rate relief.  |
|           | 5 Cheapside, Lancaster              | +13,100   | +39,600                 | +40,000                 | Vacant. Unlikely to receive any rent in 2013/14 and reduced income expected in 2014/15 as well.   |
|           | CityLab - Rent                      | (48,800)  | (24,500)                | (24,500)                | More tenant take up - current variance includes monthly rents invoiced to end of year.  |
| Resources | Storey Institute - Rates            | +7,400  | +7,400                  | +6,500                  | Original budget under estimated (but see more comprehensive report - Nov Cabinet).  |
|           | St Leonards' house - Rent           | +4,000  | (16,100)                | (16,100)                | Increase in tenant take up.   |
|           | Pensions Payments                   | (7,400)   | (13,600)                | (13,600)                | Reduced payments to County Pension Fund (historic enhancements).  |
|           | Investment Interest                 | +6,000  | +4,900                  | +0                      | Current investment interest is below the profiled estimate.   |
|           | Audit Fees                          | +0  | (12,000)                | (12,000)                | Reduced costs for annual grants and returns audit.  |
|           | Revenues: Discretionary Rate Relief | +0  | (91,200)                | (93,000)                | No longer a direct charge to the General Fund. All future relief costs fall on the Collection Fund and are borne by all major preceptors.   |
|           | Revenues : HB Overpayments          | (82,100)  | ?                       | ?                       | Recoveries continue to exceed budget. For last year the additional income was £145K. The budget will be reviewed at revised estimate time - see below.  |
|           | Bad Debt provision contribution     | +0  | ?                       | ?                       | It is anticipated that further contributions to the bad debt provision will be required. In reference to HB Overpayments - projections simply assume a neutral budget position at this stage. |
|           |                                     | <b>TOTAL VARIANCES</b>  | <b>(241,900)</b>        | <b>(155,600)</b>        | <b>(33,600)</b>   |
|           | <b>Overall Salary Savings</b>       | <b>(141,000)</b>  | <b>(350,000)</b>        | <b>+0</b>               |   |
|           | <b>OVERALL VARIANCES</b>            | <b>(382,900)</b>  | <b>(505,600)</b>        | <b>(33,600)</b>         |   |

## Annex B

### GENERAL FUND CAPITAL PROGRAMME MONITORING REPORT

| SERVICE                      |                                      | 2013/14<br>Gross<br>Budget | Actual to<br>Date | Commitments<br>(Outstanding<br>Orders) | Total            | Variance<br>+Overspend /<br>(Underspend) |
|------------------------------|--------------------------------------|----------------------------|-------------------|--|------------------|--|
|                              |                                      | £                          | £                 | £                                      | £                | £  |
| Environmental Services       | Allotment Improvements               | 92,000                     | 0                 | 0                                      | 0                | (92,000)                                 |
|                              | Car Park Improvements Prog           | 120,000                    | 0                 | 0                                      | 0                | (120,000)                                |
|                              | Playground Imps/Facilities           | 0                          | (5,222)           | 100                                    | (5,122)          | (5,122)                                  |
|                              | Purchase of Vehicles                 | 0                          | 579,256           | 946,030                                | 1,525,286        | 1,525,286                                |
|                              | Toilet Works                         | 90,000                     | 0                 | 0                                      | 0                | (90,000)                                 |
| Health & Housing Services    | Disabled Facilities Grants           | 817,000                    | 381,952           | 0                                      | 381,952          | (435,048)                                |
|                              | YMCA Places of Change                | 19,000                     | 18,023            | 0                                      | 18,023           | (977)                                    |
|                              | Salt Ayre Works Programme            | 30,000                     | 0                 | 0                                      | 0                | (30,000)                                 |
|                              | Warm Homes Scheme                    | 79,000                     | 24,852            | 0                                      | 24,852           | (54,148)                                 |
|                              | Will Park Imps & Enhancements        | 110,000                    | 14,050            | 0                                      | 14,050           | (95,950)                                 |
| Regeneration & Planning      | Albion Mills S106 Affordable Housing | 260,000                    | 0                 | 0                                      | 0                | (260,000)                                |
|                              | Amenity Improvements                 | 36,000                     | 0                 | 5,278                                  | 5,278            | (30,722)                                 |
|                              | Bold Street Renovation Scheme        | 32,000                     | 814               | 9,063                                  | 9,877            | (22,123)                                 |
|                              | Ffrances Passage                     | 4,000                      | 3,157             | 0                                      | 3,157            | (843)                                    |
|                              | Great Places S106 Affordable Housing | 42,000                     | 0                 | 0                                      | 0                | (42,000)                                 |
|                              | Lancaster Square Routes              | 196,000                    | 11,349            | 17,392                                 | 28,741           | (167,259)                                |
|                              | Luneside East                        | 70,000                     | 33,879            | 6,200                                  | 40,079           | (29,921)                                 |
|                              | Morecambe Area Action Plan           | 100,000                    | 0                 | 3,635                                  | 3,635            | (96,365)                                 |
|                              | Morecambe TH12 A View for Eric       | 462,000                    | 0                 | 0                                      | 0                | (462,000)                                |
|                              | Poulton Pedestrian Route             | 160,000                    | 0                 | 0                                      | 0                | (160,000)                                |
|                              | Sea & River Defence Works            | 349,000                    | 49,073            | 101,957                                | 151,030          | (197,970)                                |
|                              | Toucan Crossing King Street          | 13,000                     | 0                 | 0                                      | 0                | (13,000)                                 |
|                              | West End Temp Car Park               | 5,000                      | 0                 | 0                                      | 0                | (5,000)                                  |
| Resources                    | Corporate Property Works             | 2,428,000                  | (102,104)         | 70,353                                 | (31,751)         | (2,459,751)                              |
|                              | IT Systems, Infrastructure & Equip   | 430,000                    | 8,991             | 71,163                                 | 80,153           | (349,847)                                |
| <b>Total Gross Programme</b> |                                      | <b>5,944,000</b>           | <b>1,018,070</b>  | <b>1,231,171</b>                       | <b>2,249,242</b> | <b>(3,694,758)</b>                       |

#### Grants & Contributions

|  |                    |                    |          |                    |                |
|--|--------------------|--------------------|----------|--------------------|----------------|
| Capital Contributions Income                                 | (38,000)           | (55,555)           | 0        | (55,555)           | (17,555)       |
| Capital Grants Income  | (1,518,000)        | (1,124,488)        | 0        | (1,124,488)        | 393,512        |
| <b>Total External Income from Grants &amp; Contributions</b> | <b>(1,556,000)</b> | <b>(1,180,042)</b> | <b>0</b> | <b>(1,180,042)</b> | <b>375,958</b> |

|                            |                  |                  |                  |                  |                    |
|----------------------------|------------------|------------------|------------------|------------------|--------------------|
| <b>Total Net Programme</b> | <b>4,388,000</b> | <b>(161,972)</b> | <b>1,231,171</b> | <b>1,069,199</b> | <b>(3,318,801)</b> |
|----------------------------|------------------|------------------|------------------|------------------|--------------------|

## ACTION BEING TAKEN BY SERVICES

| Service                    | Total Outstanding Debt (over 90 days old) | Debt to be Written Off | Refer(red) to Debt Collection Agents | Refer(red) for Legal recovery | Debt still being pursued | Payment Received / Instalment Agreed | Other Action / Reasons | TOTAL            | Notes on Other Action / Reasons |
|----------------------------|---|------------------------|--------------------------------------|-------------------------------|--------------------------|--------------------------------------|------------------------|------------------|---------------------------------|
|                            | £   | £                      | £                                    | £                             | £                        | £                                    | £                      | £                |                                 |
| Regeneration and Policy    | 6,740                                     |                        |                                      | 297                           | 6,383                    | 60                                   |                        | 6,740            |                                 |
| Environmental Services     | 156,135                                   | 1,036                  | 898                                  |                               | 54,424                   | 98,660                               | 1,117                  | 156,135          | In administration               |
| Health & Strategic Housing | 6,092                                     |                        | 617                                  |                               | 5,137                    | 339                                  |                        | 6,093            |                                 |
| Property Services          | 220,194                                   | 4,517                  | 10,642                               | 61,710                        | 56,464                   | 86,860                               |                        | 220,194          |                                 |
| Governance                 | 3,856                                     |                        |                                      |                               | 3,856                    |                                      |                        | 3,856            |                                 |
| Housing Benefits           | 1,272,459                                 | 1,170                  |                                      | 10,733                        |                          | 1,121,154                            | 139,401                | 1,272,459        |                                 |
| <b>Total Outstanding</b>   | <b>1,665,476</b>                          | <b>6,723</b>           | <b>12,157</b>                        | <b>72,741</b>                 | <b>126,264</b>           | <b>1,307,074</b>                     | <b>140,519</b>         | <b>1,665,477</b> |                                 |

**\* Actions relating to Housing Benefit Debt**

**Appeals** - where an appeal has been made against the creation of an overpayment & recovery has been suspended pending the outcome of the appeal

**Bankruptcy** - where a debtor has been made bankrupt & recovery of the debt is suspended until the bankruptcy has been discharged

**Claim Pending** - where a claim for Housing Benefit (HB) has not yet been determined & there is prospect of recovery from ongoing HB

**First Reminder** - where no agreement has been made to repay the debt & reminder invoice is issued

**Second Reminder** - where no agreement has been made to repay the debt & a reminder letter is issued

**Instalment Warning** - where an instalment as per an agreement has not been made & a reminder letter is issued

**Instalment Termination** - where instalments as per an agreement have not been made & the agreement has been terminated & a termination letter issued



# Welfare and Housing Benefit Reforms

In response to various queries from Members and Committees, the following overview has been prepared. This will be shortened in future reports, to focus on key statistics only.

## 1 Council Tax Support

- 1.1 From 1st April 2013, the national scheme of Council Tax Benefit was abolished and replaced with a localised Council Tax Support scheme. This is funded by a cash-limited grant and therefore any increase in demand for benefit over and above current levels will have to be funded by the Council and major precepting authorities (County, Fire, Police).
- 1.2 The City Council decided not to reduce Council Tax Support levels for 2013/14, leaving entitlement at its previous level. However, the decision comes at a cost and the Council is helping to fund the shortfall in grant for the current year alongside other precepting authorities. In total for all authorities, the shortfall is expected to be around £450K (less than anticipated).
- 1.3 To inform future decision-making, the Council has conducted a formal consultation exercise throughout the summer, which closed on 13<sup>th</sup> October 2013. Results are currently being analysed and they will be reported to full Council as part of the decision making process for next year's scheme.

## 2 The Under Occupation Penalty or 'Spare Room Subsidy'

- 2.1 Restrictions on housing benefit for claimants in social sector tenancies have taken effect from April 2013. These affect working age customers living in accommodation that is deemed to be too large for their needs.
- 2.2 The following size criteria reductions in Housing Benefit apply:
  - 14% reduction where there is one bedroom more than is required
  - 25% reduction where there are two or more bedrooms more than required.
- 2.3 Latest information indicates that Lancaster has 608 affected customers (reduced from 678 cases in July), creating a shortfall (additional rent collectable) for Registered Social Landlords of £8K per week (£416K annually). These cases include around 421 Council Housing cases, resulting in additional rent collectable of around £5.5K per week (Note: Figures to 30 September).

## 3 The Benefit Cap

- 3.1 In March 2012 the Welfare Reform Bill introduced a Benefit Cap for working age households. Households are defined to include the claimant and partner and any dependants. The Benefit Cap has been set at:
  - £500 per week (£26K per year) for couples (with or without children) and lone parents.
  - £350 per week (£18.2K per year) for single adults.

- 3.2 The Benefit Cap is administered by the Council, reducing Housing Benefit to the value of the cap. A minimum weekly value of £0.50 Housing Benefit will be left in payment to allow claimants to apply for a Discretionary Housing Payment.
- 3.3 There are currently 31 cases in Lancaster (reducing from 39 cases reported in July 2013, when the benefit cap was first implemented).
- 3.4 DWP wrote to all affected families to notify them of the cap, and home visits were made by Visiting Officers starting in December 2012 to all affected customers, ensuring that they were aware of this welfare reform and its impact upon them. We have also been working very closely with Job Centre Plus and they are available to discuss on-going issues. Any potential new cases are referred to the Visiting Officer's in the Housing Benefit Team.
- 3.5 CAB offices in Lancaster and Morecambe offer help, advice and budgeting/debt advice to customers affected by this reform in the local areas. Some Registered Social landlords have also made resources available to provide help to their affected tenants.

#### **4 Discretionary Housing Payments**

- 4.1 Discretionary Housing Payments (DHP) are administered by the Council and are paid to customers who are in receipt of or entitled to Housing Benefit where there is a shortfall between the level of Housing Benefit and the amount of rent charged.
- 4.2 From April 2013 Councils are no longer permitted to use DHP to meet the costs of Council Tax; this is a consequence of the abolition of Council Tax Benefit and its replacement with a localised scheme.
- 4.3 A panel of experienced senior officers sit to consider each case on its merits determine the award. Discretionary Housing Payments are typically provided for a temporary period to help people over a difficult period or to find alternative accommodation.
- 4.4 To support welfare reform changes the Government has significantly increased its Discretionary Housing Payments contributions to Councils for 2013/14. Lancaster receives £211K and to date has granted £82.5K covering 297 cases (192 successful applications). A further 22 cases are pending, awaiting consideration.
- 4.5 Authorities across Lancashire are reporting a significant increase in DHP applications and it is anticipated that pressure upon the scheme will increase in the latter part of the financial year as rent pursuance action increases and the effects of the benefit cap are felt.

#### **5 Local Welfare Provision: The Care and Urgent Needs Support Scheme**

- 5.1 The new Care and Urgent Needs Support Scheme administered by LCC commenced on 2 April 2013 replacing those elements of the Social Fund no longer administered by the DWP.
- 5.2 The function relates to the provision of financial assistance to customers who have suffered a crisis (for example a fire, flood, theft etc.) and need urgent

assistance or need support in establishing or maintaining a home (typically with cost of white goods, furnishings etc.).

- 5.3 Across Lancashire expenditure has been around £101K. The low level of expenditure is partly accounted for as a result of low demand, the use of food parcels and recycled and low cost furniture.

## **6 Universal Credit and the Local Support Services Framework**

- 6.1 DWP are currently piloting “Universal Credit” in four North West areas including Ashton Under Lyne, Oldham, Warrington and Wigan. The national roll-out scheduled for October 2013 has been delayed, and replaced with a plan to roll out to a further 6 job centres. Lancaster is not included in this latest list.

- 6.2 The target date for full implementation is 2017.

- 6.3 Under a Local Support Services Framework it is anticipated that the Council will have a role to play in face to face contact, ensuring that support is available to customers to claim online and in managing monthly payments. This would extend to those customers with more complex needs.

## **7 Housing Benefit Processing**

- 7.1 The Housing Benefit section is currently receiving an average of 110 new claims per week. The caseload, as at October 2013 is running at 13,896 claims, a small decrease compared to July 2013 where the caseload was 13,965; this forms a reducing trend from July 2012 where the caseload was 14,082.

- 7.2 Current processing times for new claims in Quarter 2 are 20 days for new claims and 12 days for changes in circumstances. The current local target is 23 days for new claims and 10 days for changes in circumstances.

- 7.3 Changes to the Housing Benefit rules and the introduction of the Council Tax support Scheme have had a negative impact on some processing times at the start of the financial year. However, as staff become more experienced in dealing with the changes, we are confident that all targets will be met.

## **8 Potential Linkages with Council Tax Collection**

- 8.1 To the end of September the Council Tax team has issued 7,990 first reminders to late payers and 3,830 summonses for non-payment, very similar statistics to the previous year.

- 8.2 Council Tax collection rates are down by 0.5% in comparison to the previous year, but this is considered more a reflection of the opportunity for taxpayers to pay by 12 rather than 10 instalments and the levy of additional charges on long term empty properties, rather than any direct impact resulting from welfare reform changes.

- 8.3 Wherever possible the team endeavour to make suitable arrangements with taxpayers who make contact after receiving a recovery document and staff have encouraged this new facility to pay over 12 months rather than 10, for those customers who are struggling to pay their monthly instalments.