

# **Corporate Financial Monitoring**

## **Quarter 1: April – June 2014**

Report of: Financial Services Manager

## 1 Introduction

This monitoring report for 2014/15 sets out an indicative corporate picture of the Council's financial performance for the period ending 30 June 2014.

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 including 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 June there is a net underspend of **£212K** against the current budget. This is forecast to increase to **£264K** by the end of the year.

	<b>Annual Budget £000's</b>	<b>Current Variance £000's</b>	<b>Full Year Projection £000's</b>
Salaries	20,124	(109)	(101)
Transport	1,783	+4	+4
Supplies & Services	11,236	(18)	(75)
Fees & Charges	(14,668)	(89)	(92)
Other Net Budgets	65	0	0
<b>Total</b>	<b>18,540</b>	<b>(212)</b>	<b>(264)</b>

### 1.2 Savings Review

The original budget was approved with a number of restructure savings already built in. The following table provides an update on those restructures plus any additional savings achieved through similar reviews.

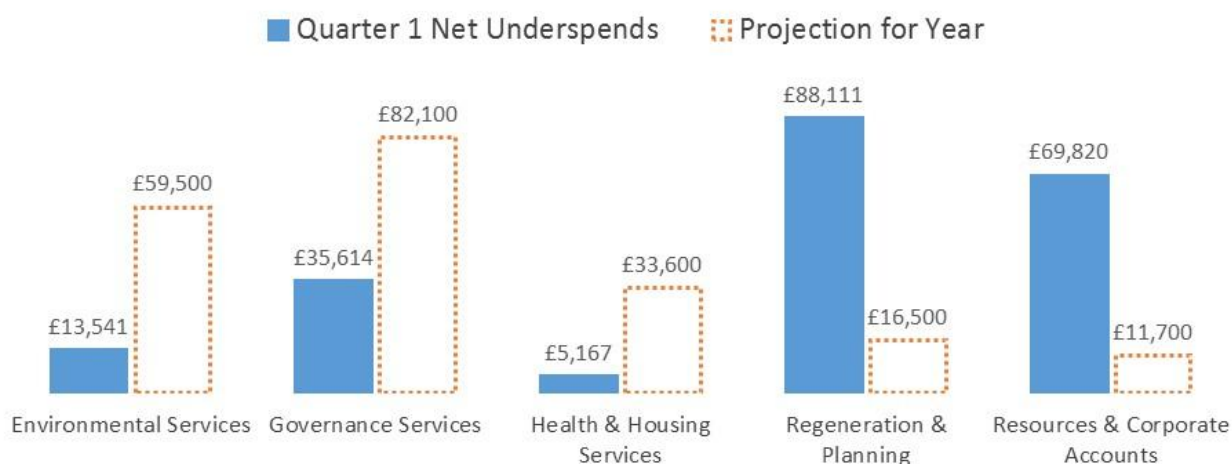
The table shows that the original budgeted savings of £322K have been exceeded by £91K.

All savings have already been incorporated into the current and projected savings above.

Service	Details of Change	Approval	Budgeted Saving £000's	Actual Saving £000's	Total Additional Savings £000's
Environmental	Service Restructure	Personnel	160	160	0
Governance	HR & OD Restructure	Chief Executive	0	41	41
Governance	Democratic Restructure	Chief Executive	0	12	12
Health & Housing	Sport & Leisure Restructure	Personnel	100	118	18
Health & Housing	Mini-restructure	Personnel	0	13	13
Health & Housing	Admin function restructure	Chief Executive	0	7	7
Regen & Planning	Service Restructure	Personnel	62	62	0
			<b>322</b>	<b>413</b>	<b>91</b>

### 1.3 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 cover employees, premises, transport, supplies and services and general income. A service by service picture is provided below.



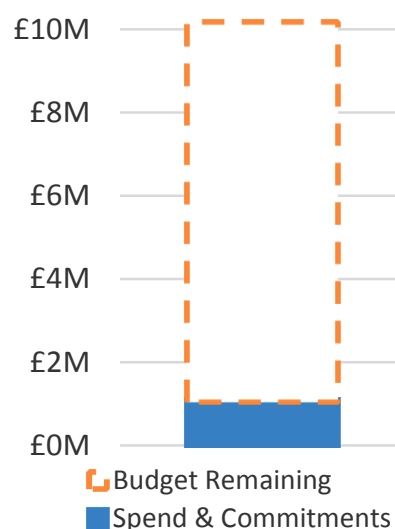
## 2 General Fund Capital Programme

### 2.1 Capital Expenditure & Financing

At the end of June there were spend and commitments of £1.080M against the original approved programme of £10.172M. Details of spend against each scheme is shown at **Annex B**.

It should be noted that slippage from 2013/14 has not been added to the programme at this stage, as it was only reported to Cabinet for approval on 29 July 2014.

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 B**, 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 June:

	<b>£000's</b>		
<b>Collection Fund Surplus (June 2014)</b>	<b>(1,124)</b>		
<b><i>Represented by:</i></b>			
2013/14 Collection Fund Surplus higher than forecast	(568)		
<b><i>In-Year Movements to Date:</i></b>			
Lower Council Tax Support than estimated	(177)		
Higher Second Homes / Lower Empty Homes income	+10		
Other Movements in Tax Base	(389)	(556)	
		<b>(1,124)</b>	
<b><i>Compared to:</i></b>	<b>Budgeted Projection £000's</b>	<b>Actual Position £000's</b>	
Total Council Tax Collectable (Yield)	59,105	59,669	
Actual amount collected	(17,634)	(17,634)	29.55%
Amount Outstanding	41,471	42,035	<b>(564)</b>
Compared to In-Year movement above			<b>(556)</b>

As at 30 June, there is an estimated surplus of £1.124M (2013/14 Qtr1 £1.144M), which is not dissimilar to the same period last year.

This year's position is made up of:

- additional surplus brought forward from 2013/14 of £568K;
- £177K 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;
- Overall £10K lower than estimated income from second/empty homes (specifically identifiable);
- a balance of £389K (2013/14 Qtr1 £475K) relating to other movements in the tax base or other factors which have still to be substantiated.

### 3.1.2 Business Rates Retention

The following table shows the latest retained business rates position at the end of June.

The table shows provisional additional income of £4.256M, of which 50% (£2.128M) is payable to Central Government and 50% (£2.128M) retained by the Council. However, it should be noted that this position could change significantly depending on the outcome of appeals.

At present, a total provision of £9M has been made for appeals prior to 31 March 2014, which includes £7M in respect of a number of very large appeals. However, a 1% change in the assumptions made on these settlements results in a movement of £1.2M in the value of the appeals. In addition, a further £2.3M has been forecast for appeals after 01 April 2014.

Due to the uncertainty surrounding appeal valuations, it would not be prudent to assume this is all guaranteed additional income to the Council until these appeals have been settled. New indications are that the larger appeals will not now be settled until March 2017.

The implications of this on the Council's financial planning needs much more in-depth consideration during future budget processes.

	<b>2014/15 £000's</b>
Net Collectable Amount of Business Rates	71.197
Less: Provision for Appeals	(2.302)
<b>Net retained business rates</b>	<b>68.895</b>
Less:	
Central Government Share – 50%	(34.448)
County Council & Fire Authority Share – 10%	(6.889)
<b>Lancaster's Retained Business Rates Share – 40%</b>	<b>27.558</b>
Less: Tariff payable to Central Government	(19.392)
Add: Small Business Rates Relief Grant	1.199
<b>Total Amount of Retained Business Rates</b>	<b>9.365</b>
Less: Lancaster's Baseline Funding Level	(5.109)
<b>Provisional Additional Income</b>	<b>4.256</b>
Split as follows:	
<b>50% Levy Payable to Central Government</b>	<b>2.128</b>
<b>50% Retained by Lancaster</b>	<b>2.128</b>

## 3.2 Council Tax and Business Rates Collection

The percentage collected for both council tax and business rates is slightly below target but expected to recover by the year end.

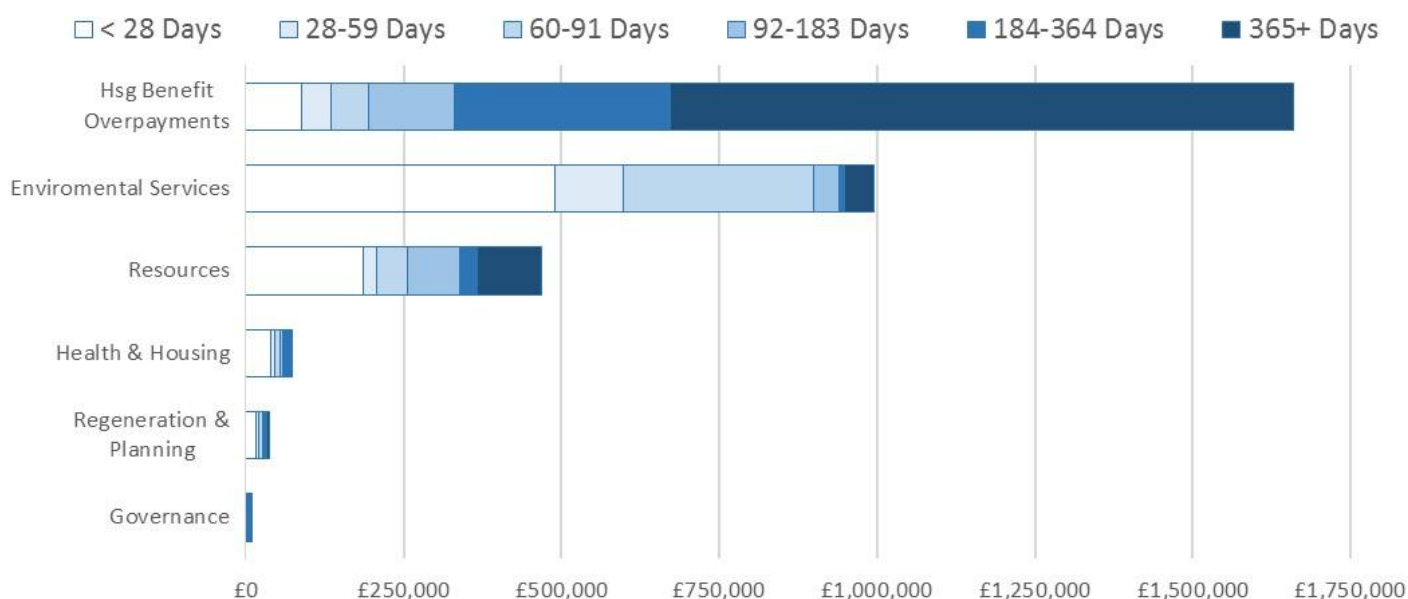
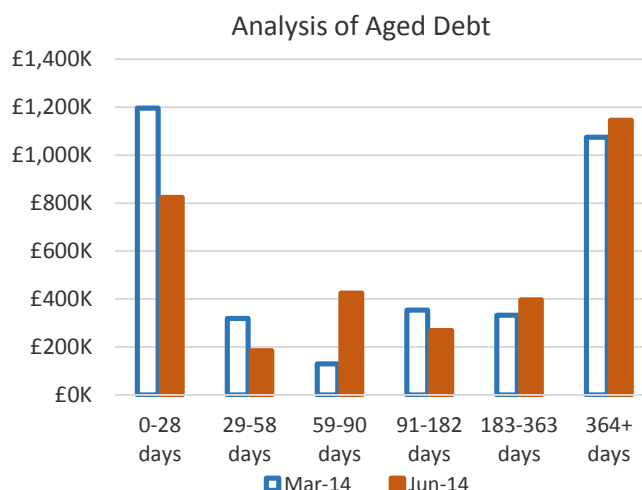
Percentage Collected	2013/14	2014/15	2014/15 Target	2014/15 Actual	Status
	All Years		In Year		
Council Tax	26.72%	26.72%	30.00%	29.55%	Slightly behind Target
Business Rates	24.31%	28.95%	30.00%	29.93%	

**3.3** More details of welfare reforms / council tax matters are included in **Annex C**.

### 3.4 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of June the total debt outstanding was just over £3.2M, which is £162K less than the previous quarter.

	March 14	June 14
	£000's	£000's
0-28 days	1,196	824
29-58 days	319	185
59-90 days	130	425
91-182 days	354	269
183-363 days	333	396
364+ days	1,074	1,145
	<b>3,406</b>	<b>3,244</b>
Previous Year	2,718	2,562



## 4 Housing Revenue Account (HRA)

### 4.1 HRA Revenue Position



At the end of June the position for the HRA shows a net underspend of **£23K** against the current budget, which is currently projected to become a net overspend of **£12K** by the end of the year. This is minor and may well reverse, hence no remedial action is recommended. Details of the variances are as follows:

#### Expenditure:

##### Employees

**Current (£22,300)      Forecast (£33,800)**

There are currently a number of vacant posts within management and administration and central control. These are expected to be filled in September.

#### Income:

##### Rental from Council Dwellings

**Current +£8,200      Forecast +£54,500**

A variance of £54,500 has been forecast for the end of the year based on current rent debit and void levels. The main variance relates to the increase in void levels from 1.63% to 1.90%, equating to a rent loss of £36,400. The remaining £18,100 relates to the increase in Right to Buy levels from 5 to 10 in the previous year (2013/14), which was not forecast in the 2014/15 estimates.

##### Telecare Income

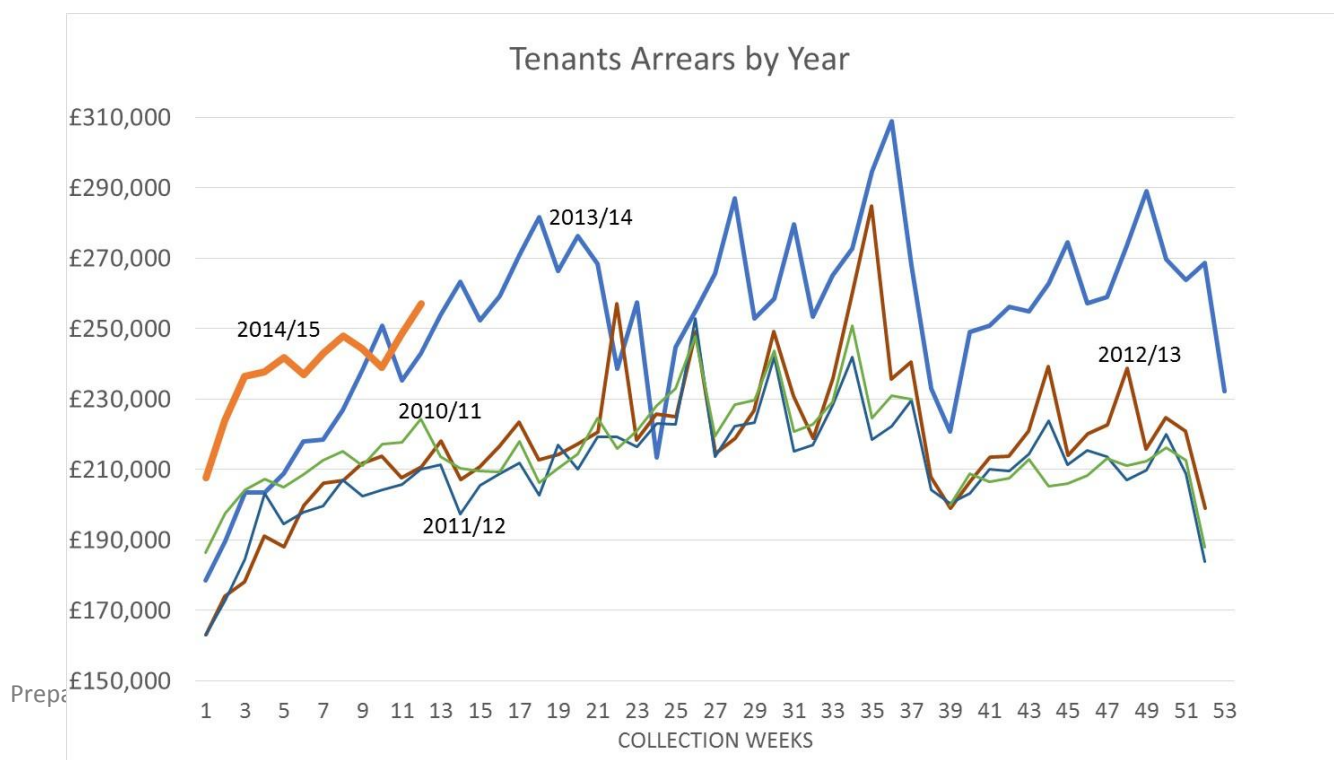
**Current (£9,000)      Forecast (£9,000)**

More residents in the district utilising the lifeline services resulting in additional income.

### 4.2 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 June, the level of arrears for 2014/15 is £257K (2013/14 Qtr 1 £243K) which is slightly higher than previous quarter last year.



### 4.3 HRA Capital Programme

This section analyses actual spend and commitments against the Council Housing Capital Programme at the end of June. To date spend and commitments total £1.037M against the programme of £4.844M leaving a balance of £3.807M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	300	45	255
Energy Efficiency / Boiler Replacement	660	70	590
Bathroom / Kitchen Refurbishment	1,097	464	633
External Refurbishments	999	204	795
Environmental Improvements	950	251	699
Rewiring	83	1	82
Fire Precaution Works	250	0	250
Lift Replacement	120	0	120
Re-roofing / Window Renewals	360	1	359
Septic Tanks Renewal	25	1	24
<b>TOTAL</b>	<b>4,844</b>	<b>1,037</b>	<b>3,807</b>

## 5 Provisions and Reserves

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

### 5.1 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 2014	3,436
Add: 2013/14 underspend	277
Less: Budgeted Contribution for 2014/15	(458)
Add: Current Projected In-Year Underspend	264
<b>Latest Projected Unallocated Balance as at 31 March 2015</b>	<b>3,519</b>
Less: Minimum Level	1,000
Less: Budgeted Contribution for 2015/16	1,000
<b>Amount Available to Support Future Years' Budgets</b>	<b>1,519</b>



The table shows that if the current projected net underspending materialises Balances would be £3.519M by the end of the financial year. This leaves £1.519M to support future years' budgets, after allowing for the minimum approved level and the £1M already budgeted to support the 2015/16 budget.

## 5.2 Insurance Provision

The current balance on the insurance provision is £362K, after making net payments of £53K in settlement of claims made. The estimated value of claims outstanding is £273K, which is £89K less than the current provision. A full review of the provision will be undertaken during the forthcoming budget process.

## 5.3 Bad Debt Provision

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 3.4 the level of provision would be as follows:

Period	Debt £000's	% Cover Required	Value £000's
Up to 1 Month	735	1%	7
1 Month to 3 Months	505	5%	25
3 Months to 365 Days	188	10%	19
Over 365 Days	158	50%	79
HBen Overpayments	1,658	60%	995
<b>TOTAL</b>	<b>3,244</b>		<b>1,125</b>

Following a review of bad debts, as part of the 2013/14 closedown process, cover for housing benefit overpayment recoveries has been increased from 32% to 60%. This places the City Council in the mid-range of cover, when compared with other Lancashire authorities.

The current balance on the General Fund Bad Debt provision is £1.170M which is £45K more than the requirement indicated, which is after allowing for this year's contribution of £100K and write-offs of £32K. A formal assessment will be undertaken as part of the forthcoming budget process.

## 6 Contract Procedure Rules and Other Exceptions to Tender

In accordance with the latest approved contract procedure rules all exceptions to tender and other significant contract variations will be reported as part of the quarterly corporate monitoring process.

There is only one contract to report on relating to ground works at Marsh estate. When the contract was originally let the value was £99K and as such approved by the Chief Officer (Environment). However, this price was based on the work being "soft dig" and it has now transpired that the work is now going to be more difficult and time consuming as it is "hard dig", and therefore the revised cost has increased to £113K. Under normal circumstances a contract over £100K would be approved by the Chief Executive, however the increase

has been treated as a revision to the original contract. It is reported to Members for information only.