

CORPORATE FINANCIAL MONITORING 2017/18

QUARTER 2

INTRODUCTION

This report provides the key variances to note as at the end of September, in terms of the revenue and capital budgets and local taxation. It also includes updates on key reserves and income collection.

REVENUE BUDGET

General Fund – Current net overspending of **£228K**, forecast to increase to **£241K** (as compared with a net £6K underspending at Qtr 1) by year end, taking account of various assumptions drawing on last year's outturn. The main variances are summarised in the table below. In addition, a more detailed monitoring statement on Salt Ayre Leisure Centre is included at **Annex A**. Details relating to Green Waste were reported at Qtr 1.

	Qtr 2 £000's	Full Year Forecast £000's
General Fund Net Revenue Budget	15,839	15,839
	(Favourable)/+Adverse	
Employees	(187)	(226)
Premises	(35)	(47)
Transport	(3)	+6
Supplies & Services	+13	+94
Grant Income - Revenues	(104)	(91)
Other Income	(3)	+28
Green Waste Collection	+273	+290
Salt Ayre Leisure Centre	+274	+187
Updated Net Revenue Budget	16,067	16,080
Net Overspend (+)	+228	+241

The projected position has deteriorated since Qtr 1, mainly due to the latest forecasts for Salt Ayre Leisure Centre (£187K shortfall by year end). This is after allowing for forecast savings from staff turnover (£226K) and additional government grants (£91K) being received in relation to Revenues & Benefits.

Officers are currently reviewing all estimates as part of the 2018/19 budget setting process, and actions are being focused on addressing the net overspending. Should any shortfall remain then General Fund unallocated balances would need to be used to cover it.

Housing Revenue Account – Current net overspending of **£274K**, but now forecast to increase to **£569K** (£204K Overspending at Qtr 1) by year end. The main reasons relate to additional repairs and maintenance costs (+£400K) and income losses on voids (+£184K). At present, voids are running at 2.9% compared to the 1.9% originally budgeted for. It should also be noted that a review of the bad debt provision is still required and may result in an additional contribution in light of the increased level of tenant arrears.

Similar to the General Fund, if after the budget review there is still a net shortfall then HRA unallocated balances would need to be used.

OUTSTANDING ACTION:

The Chief Officer (Environmental Services) reports back on actions/improvements being taken to reduce void losses and secure other operational improvements within RMS.

CAPITAL

Expenditure

General Fund – Original approved programme of £13.181M has been increased by £1.955M slippage from 2016/17 and additional increases approved under delegated authority of £346K (see below), giving an updated programme of £15.482M. Spend and commitments at the end of September totalled £5.462M leaving £10.020M still to spend.

Lancaster Square Routes – additional works funded by grant from County Council	£15K
Bay Cottage Play Area – externally funded scheme	£47K
ICT Systems, Infrastructure & Equipment – funded from Renewals Reserve	£137K
Disabled Facilities Grants – expenditure grossed up due to increased funding	£147K
Total Increase	£346K

Housing Revenue Account – Original approved programme was £4.077M. Spend and commitments at the end of September totalled £1.036M leaving £3.041M still to spend.

Financing

There are no changes at Qtr 2 to report - further updates will be incorporated into the next review of the capital programme as part of the forthcoming 2018/19 budget setting process.

LOCAL TAXATION

Council Tax – Current surplus of £153K (£59K at Qtr1). Main changes are:

- Deficit from previous year +£197K
- Reduced cost of Council Tax Support (£315K)
- Reduced charge for Second/Empty Homes +£54K
- Other Movements in Tax Base (£89K)

In tax base terms this equates to approximately 90 additional net chargeable Band D equivalent properties, bringing the total tax base to 40,896 gross properties.

Retained Business Rates – The latest position on business rates shows net income down by £64K (up by £220K at Qtr1) when compared to the original estimate. The Net Rates Payable is down by £1.229M mainly due to additional reliefs and transitional protection being awarded. However, this is offset by a reduction in appeals of £1.165M.

	Original £000's	June £000's	Sept £000's	Movement From Original £000's
Net Rates Payable	(63,377)	(62,432)	(62,148)	+1,229
Appeals	6,759	5,594	5,594	(1,165)
Business Rates Income	(56,618)	(56,838)	(56,554)	+64
City Council Retained Income (40%)	(22,647)	(22,735)	(22,622)	
Less Tariff	19,662	19,662	19,662	
Add Small Business Rates Relief Grant	(1,251)	(1,259)	(1,289)	
Net Retained Income	(4,236)	(4,332)	(4,249)	
Safety Net Payment	(720)	(624)	(707)	
Total Retained Income	(4,956)	(4,956)	(4,956)	

Overall, this does not change the Council's budgeted position as it is still in safety net.

Collection Performance

Council Tax is slightly behind target and Business Rates ahead – no specific action is required.

	Full Year Target	Target to Date	Actual to Date
Council Tax	96.4%	56.8%	56.7%
Business Rates	98.8%	54.4%	55.5%

In terms of local taxation (both Council Tax and Business Rates), all figures will be reviewed as part of the current budget setting process.

RESERVES

Budget Support Reserve

Opening Balance	£1,000K
Previous Reported Allocations:	
Cabinet 14 February 2017 - Senior Leadership Team	£85K
Council 19 July 2017 – Community Pools	£96K
Balance	£819K
Expected Allocations	
Investors in People	£14K
Review of Constitution	£5K
Information Governance Project – see below	£100K
Latest Balance	£700K

The Information Governance Project spend is subject to a report due to be presented to December Cabinet.

General Fund Unallocated Balances

The current level of General Fund Unallocated Balances stand at £4.890M, which is £249K more than originally estimated due to the revenue underspend in 2016/17.

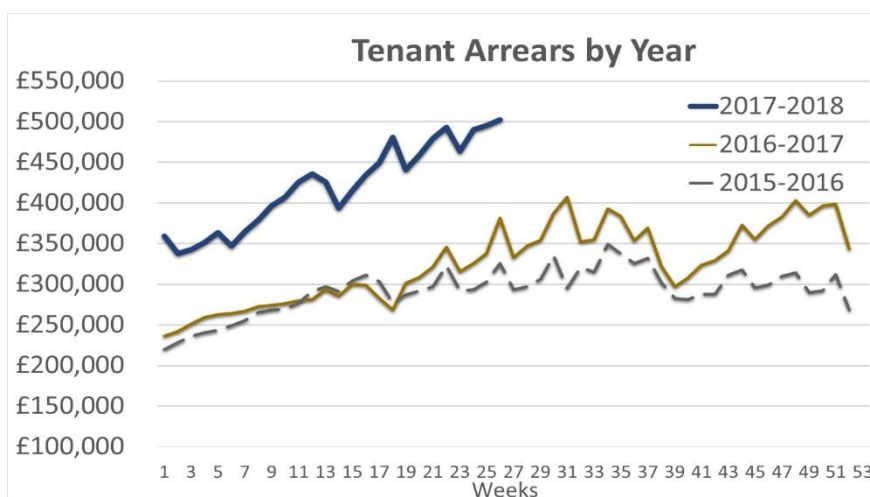
Housing Revenue Account (HRA) Unallocated Balances

The current level of HRA Unallocated Balances stand at £2.117M, which is £112K more than originally estimated due to the revenue underspend in 2016/17.

INCOME COLLECTION

Council Housing Rent Arrears –

At the end of September the level of arrears was £502K (2015/16 Qtr 2 £381K) which is a significant increase on the previous year, and £77K up on Qtr 1 this year. As previously reported, the impact of the Universal Credit introduction has had a detrimental impact on collection.



OUTSTANDING ACTION:

The Chief Officer (Health & Housing) reports back on the actions being taken to reduce arrears and improve collection.

Sundry Debts – At the end of September the level of debt was £3.453M which is an increase of £17K from Qtr1. Housing Benefit debts have increased by £114K whereas general sundry debts have decreased by £97K. The bad debt provision currently stands at £2.424M which is £49K more than the required level. No action is required at present but a further review of the provision will be made at Qtr3.

Note also that a separate Briefing Note will be circulated to Members in respect of Housing Benefit Overpayments (£2.092M debt) and the recovery processes currently being taken.

SERVICE	< 28 Days	28-59 Days	60-91 Days	92-183 Days	184-364 Days	365+ Days	2017/18 QUARTER 2 TOTALS	Compared to 2016/17 Quarter 2 totals
	£	£	£	£	£	£	£	£
Environmental Services	403,248	35,711	12,790	261,526	7,472	15,696	736,444	753,016
Regeneration & Planning	14,675	3,456	125	5,774	7,455	3,356	34,842	37,937
Resources	182,851	47,403	60,015	73,379	42,859	68,373	474,879	408,218
Health & Housing	61,210	3,083	1,406	16,341	11,697	20,131	113,868	173,523
Governance	-	300	-	-	960	-	1,260	-
Hsg Benefits (Revenues)	90,454	98,732	83,582	159,509	188,942	1,470,801	2,092,020	2,007,954
2017/18 Quarter 2 Totals	752,438	188,686	157,917	516,529	259,386	1,578,357	3,453,312	3,380,648
2016/17 Quarter 2 Totals	767,692	190,005	90,227	489,819	436,395	1,406,510	3,380,648	

CONTRACT PROCEDURE RULES AND OTHER EXCEPTIONS TO TENDER

Exceptions to Tender – There was one exception to tender in Qtr 2:

- Renewal of fire doors to high rise flat blocks. Exception was granted as it was necessary to quickly award the contract, on recommendation by fire officers, and a contractor was already working on the flats, and it would also reduce the disruption to tenants.
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