

# Corporate Financial Monitoring Quarter 1: April – June 2013

# 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 June 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 June there is a net underspend of **£152K** against the budget. This is currently forecast to increase to **£239K** by the end of the year.

	<i>Annual Budget £000's</i>	<i>Profiled Budget £000's</i>	<i>Actual £000's</i>	<i>Current Underspend £000's</i>
Salaries	16,590	4,128	4,071	(57)
Other Net Budgets	3,229	289	194	(95)
<b>Total</b>	<b>19,819</b>	<b>4,417</b>	<b>4,265</b>	<b>(152)</b>
			<i>Full Year Projection</i>	<b>(239)</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.

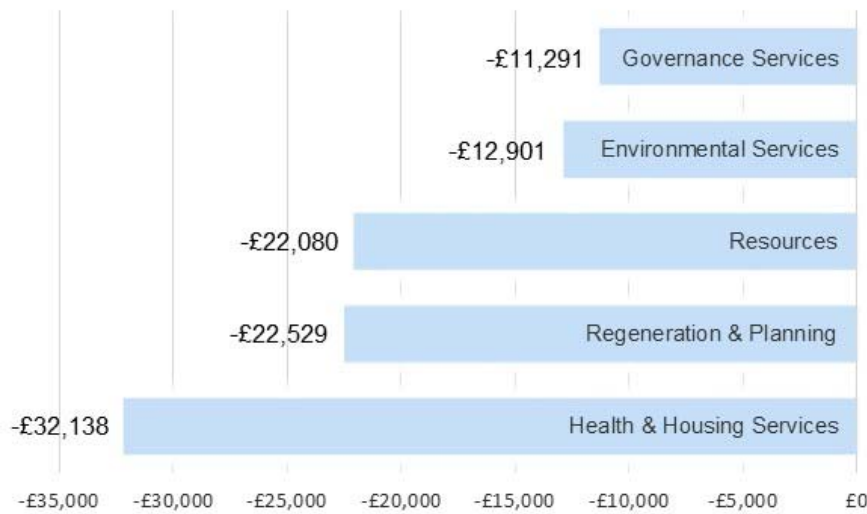
<b>SUMMARY BY SERVICE</b>	<b>Current £000's</b>	<b>Current Year Projection £000's</b>	<b>Future Years Projection £000's</b>
	() Favourable / + Adverse		
Environmental Services	(51.3)	(42.0)	(40.0)
Health & Housing	+5.9	+7.0	+7.0
Governance	+8.4	+9.4	+9.4
Regeneration & Planning	(1.6)	+32.5	0.0
Resources	(56.4)	(46.1)	(85.9)
<b>TOTAL VARIANCES</b>	<b>(95.0)</b>	<b>(39.2)</b>	<b>(109.5)</b>

### 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 £101K (Qtr1 2012/13 - £166K) have been achieved, which is some **£57K (Qtr1 2012/13 - £123K)** above the £44K profiled turnover target. This allows for the recently approved 1% pay award. A very simple projection would indicate that salary savings could reach around £200K by the end of the year, but a more detailed review is about to commence, to analyse vacant posts to give a more accurate savings projection. At this stage it is considered that there will be no scope to increase general turnover provisions to help meet future years' savings targets. Instead, staffing implications will be included in specific savings proposals.

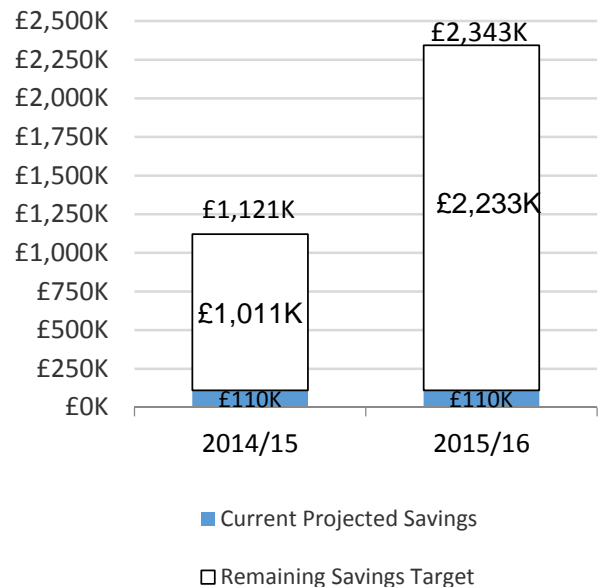
The following graph shows the savings on a Service by Service basis.



### 1.4 Future Years' Savings Requirements

The earlier table shows that there are anticipated on-going savings of £110K in future years. The graph opposite shows these savings as progress against future years' targets, as set out in the approved Medium Term Financial Strategy.

At present, the 2014/15 original target of £1.121M is reduced to £1.011M, and the 2015/16 target of £2.343M is reduced to £2.233M. This assumes the current projected savings are recurring. It is a very simplistic picture, however, as much work is underway to identify other savings opportunities.



It should also be noted that in due course, future years' savings targets will be updated to reflect more recent developments, not least Government's recent Spending Review. The scale of the challenge is expected to grow, rather than reduce.

## 2 General Fund Capital Programme

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### 2.1 Capital Expenditure & Financing

At the end of June there were spend and commitments of £1.517M against the programme of £5.381M – this has not yet been updated for slippage from 2012/13, as this was subject to approval by Cabinet in Quarter 2. Details of spend against each scheme is shown at **Annex B**.

Two changes to the capital programme have been approved in respect of the application of S106 Affordable Homes monies:

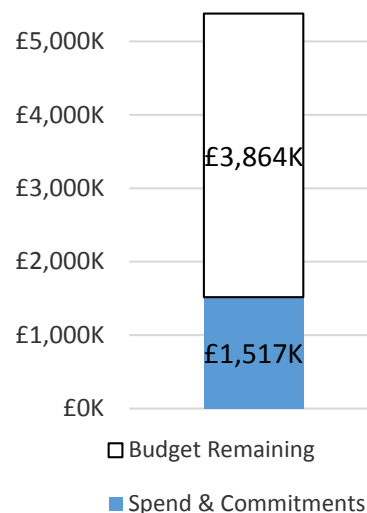
- Albion Mills £260K: Independent Cabinet Member Decision May 2013.
- Heysham Mossgate £42K: Cabinet 28 May 2013.

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

No update has been incorporated as yet regarding Lancaster Market, but this will be reported back to Council in due course.

In terms of financing, receipts of £21K 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. Some minor spend has been required in order to progress the piloting of ICT provision for Members, ahead of presenting ICT Strategy proposals to Cabinet.

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 exempt Property Group report, provided alongside this financial monitoring report. The property report is in accordance with the arrangements outlined to Cabinet in April. It is the first such report, and again its content and format will evolve as the year progresses.



## 3 Revenue Collection Performance

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### 3.1 Collection Fund Monitoring

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

This section now 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:

			£000's
<b>Collection Fund Surplus (June 2013)</b>			<b>(1,144)</b>
<b>Represented by:</b>			
Collection Fund Surplus b/fwd			(365)
<i>In-Year Movements to Date:</i>			
Lower Council Tax Support than estimated	(£779K) total in-year	}	(400)
Lower Second/Empty Homes income	surplus		+96
Other Movements in Tax Base			(475)
			<b>(1,144)</b>
<b>Compared to:</b>			
	<b>Budgeted Projection £000's</b>	<b>Actual Position £000's</b>	
Total Council Tax Collectable (Yield)	57,030	57,964	
Actual amount collected	(17,199)	(17,199)	29.7%
Amount Outstanding	39,831	40,765	<b>(934)</b>

As at 30 June, an estimated surplus of £1.144M is apparent, which is significantly higher than for the same period last year.

This year's position is made up of:

- a surplus brought forward from 2012/13 of £365K;
- £400K 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 that the total support being claimed is reducing;
- £95K lower than estimated income from second/empty homes. There is no 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 £475K relating to other movements in the tax base or other factors which have still to be substantiated. This requires more analysis and the position could change either way during the course of the year.

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 align exactly with the current in-year surplus on the Collection Fund, (£934K compared to £779K), this is being explored further and it is known that there can be complexities around using information at a specific date, to give full year projections. There can be some distortion of results.

Overall, 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 £169K (the equivalent of almost 2% in city council tax terms). Due to the uncertainties, this has not been allowed for against future years' savings targets (section 1.4 of this report).

The position will continue to be monitored, ahead of formal reassessment in January 2014.

### 3.1.2 Business Rates Yield (Total Collectable)

Following the introduction of the Business Rates Retention Scheme, a new section will be included 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. More work is needed in this area, in order to understand fully the implications. Previously, any change in business rates yield had no real impact on the authorities' finances.

### 3.2 Council Tax and Business Rates Collection

The council tax collected is slightly below target. There have been several changes to council tax during 2013/14 as outlined above, which will have an impact on customers' ability and/or willingness to pay. It is too early to draw any real conclusions at this point in time.

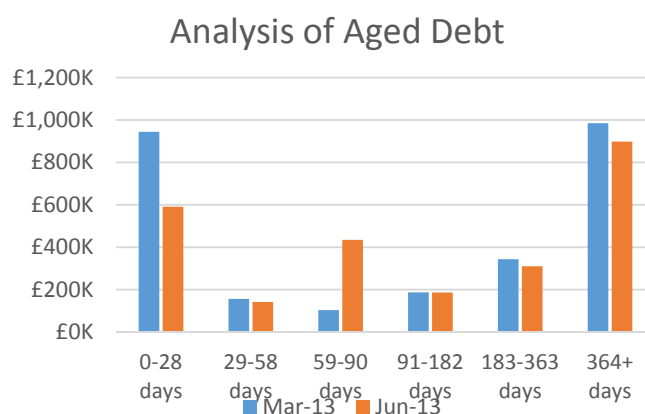
Encouragingly though, the percentage of NNDR collected is ahead of target at the end of the first quarter.

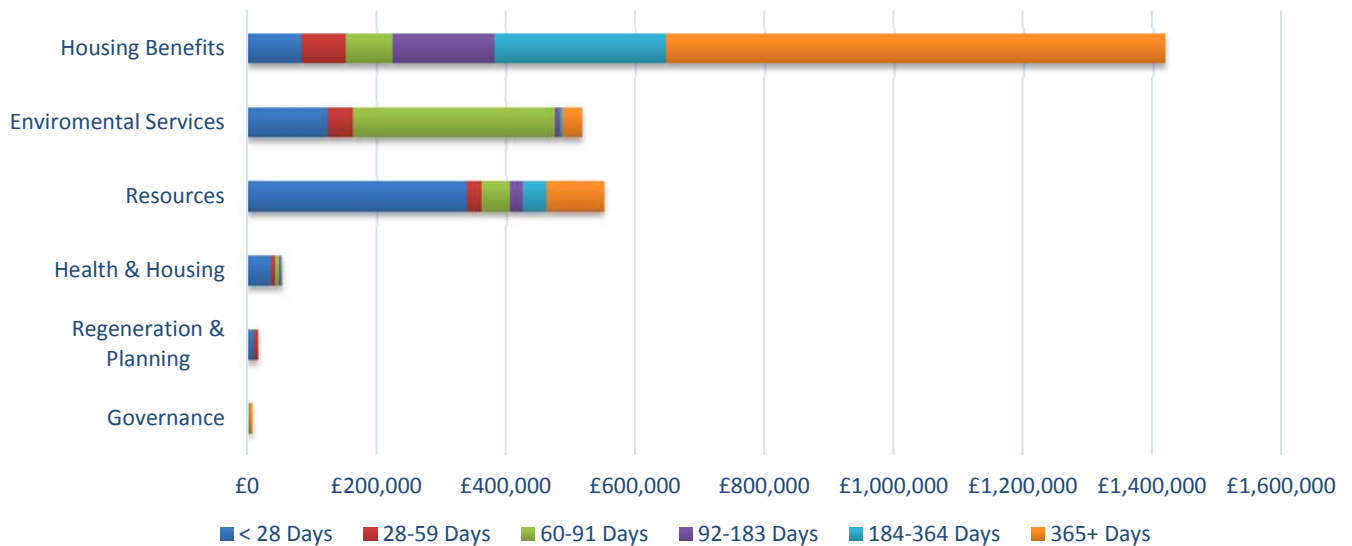
Percentage Collected	2012/13 %	2013/14 %	2013/14 Target %	2013/14 Actual %	Status
	All Years		In Year		
Council Tax	27.14	26.72	30.0	29.7	Slightly behind Target
Business Rates	24.44	24.31	29.5	30.7	Ahead of target

### 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 June the total debt outstanding was just over £2.5M, which is £156K less than the previous quarter.

	Mar 13	June 13
	£000's	£000's
0-28 days	944	591
29-58 days	156	142
59-90 days	103	435
91-182 days	187	186
183-363 days	343	310
364+ days	985	898
	2,718	2,562
Previous Year	2,467	2,977





## 4 Housing Revenue Account (HRA)

### 4.1 HRA Revenue Position



At the end of June the position for the HRA shows an overspend of **£55K** against the profiled budget, which is currently projected to increase to **£87K** by the end of the year. Details of the variances are as follows:

SERVICE AREA	Current £000's	Current Year Projection £000's	Future Years Projection £000's
	() Favourable / + Adverse		
Central Control – rent	0	+7	+1
Central Control – contracted services	+5	?	?
Central Control – service charges recovered	(6)	(6)	(6)
Central Control – services charges : Telecare*	+25	+55	+89*
Mgt & Admin – printing & stationery	(5)	(5)	(5)
Council Housing Rents **	0	+36	+11
Caretaker Services – feed in tariff credits	+36	?	?
<b>Total</b>	<b>+55</b>	<b>+87</b>	<b>+90</b>

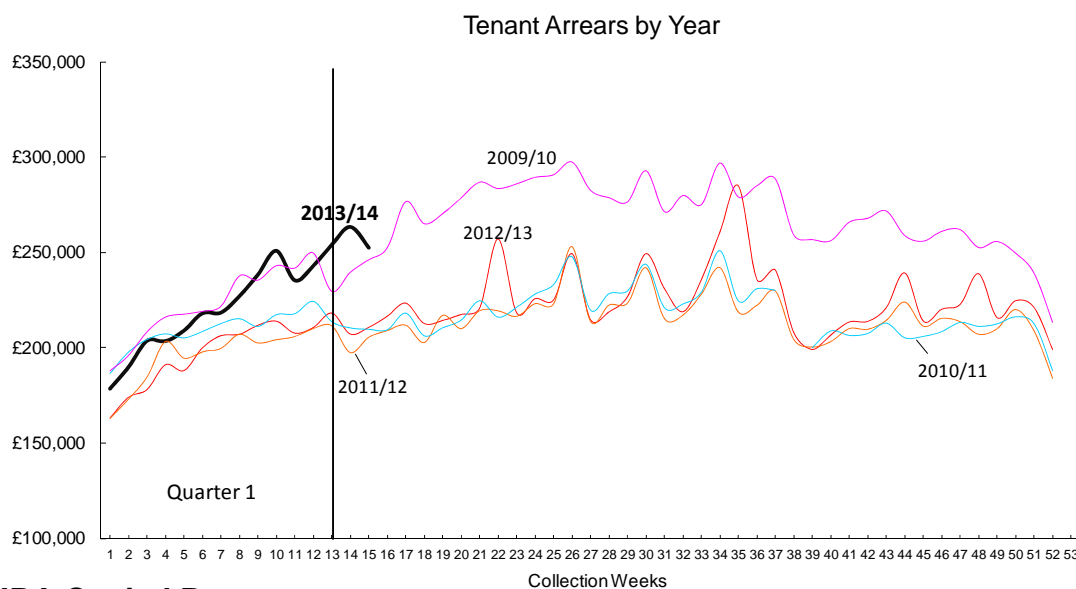
\*The number of Lancashire Telecare referrals received from the County Council has significantly reduced during the period leading up to the County determining options for the future provision of the service. As a result the budgeted income for the current year will need to be revised down during the next budget process. Regarding future years, the Council may well 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. In 2012/13 there were 7 property sales compared with the estimate of 5, and in the current year 3 properties have already been sold. This means that any further sales will impact on rental income, although they would provide additional capital financing. In addition there has been an increase in voids from 1.5% to 1.7%. To give context to the housing rents budget variance, together with the arrears section below, the total amount of rent collectable in this year is £13.458M.

## 4.2 Council Housing Rent Arrears

This section has been introduced to monitor 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.

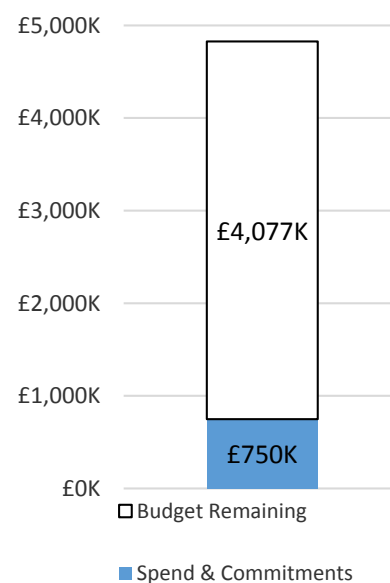
The following chart shows the current level of arrears compared to the previous 4 years. It can be seen that arrears are greater than last year; instead they are similar to the 2009/10 trend. As at 30 June, the level of arrears for 2013/14 is £254K. This will be monitored closely but it is too early to determine any full year likely impact, or reach any other conclusions.



## 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 £750K against a budget of £4.827M leaving a balance of £4.077M. As with General Fund, the HRA programme has not been updated for slippage.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	300	18	282
Energy Efficiency / Boiler Replacement	660	64	596
Bathroom / Kitchen Refurbishment	644	219	425
External Refurbishments	1,269	267	1,002
Environmental Improvements	900	173	727
Rewiring	83	8	75
Fire Precaution Works	300	1	299
Lift Replacement	110	0	110
Re-roofing / Window Renewals	544	0	544
PV Solar Panels	17	0	17
<b>TOTAL</b>	<b>4,827</b>	<b>750</b>	<b>4,077</b>





## 5 Provisions and Reserves

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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.

	<b>£000's</b>
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	239
<b>Latest Projected Unallocated Balance as at 31 March 2014</b>	<b>3,687</b>
Minimum Level	1,000
<b>Amount Available to Support Future Years' Budgets</b>	<b>2,687</b>

The table shows that the current projected level of Balances would be £3.687M by the end of the financial year, which leaves £2.687M to support future years' budgets, after allowing for the minimum approved levels.

### 5.2 Insurance Provision

The current balance on the insurance provision is £441K, after making net payments of £27K in settlement of claims made.

At present, the Council's insurers estimate that the value of claims outstanding is £455K, which relates to a total of 221 claims made over a 5 year period. This estimate assumes that all these claims will be settled at the maximum reserve limit. Recent statistics show that on average, however, only 60% of the total reserve is paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £273K, which is £168K less than the current provision. The overriding principle is that the Council must make reasonable provision for all its known liabilities, but the uncertain nature of insurance claims payments means that accurate predictions are difficult. This is an area for review during the budget.

### 5.3 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 based on assumed levels of write-off as a proportion of debt outstanding. Based on the figures shown in section 4.3 the level of provision would be as follows:

Period	Debt £000's	% Cover Required	Value £000's
Up to 1 Month	591	1%	6
1 Month to 3 Months	577	5%	29
3 Months to 365 Days	496	10%	50
Over 365 Days	898	50%	449
<b>TOTAL</b>	<b>2,562</b>		<b>534</b>

The current balance on the General Fund Bad Debt provision is £609K which is £75K above the requirement indicated, but that is after allowing for this year's contribution of £100K and write-offs of £22K. The position will be reviewed again as part of the forthcoming budget process and any adjustments required will be reported accordingly.

## 6 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 first quarter of the year:

**Contract:** Provision of 2<sup>nd</sup> Class Mail Service.

**Reason for Exception:** A collaborative procurement exercise is being undertaken which uses a framework agreement established by Government Procurement Services. A mini tender exercise is being carried out using the six suppliers on the framework.

**Contract:** Provision of transport for school swimming session.

**Reason for Exception:** Different approaches have been made to encourage more suppliers to bid for this service in the past; however there has only been one submission for a number of years. The market has not changed to indicate that further competition has entered the market and neither the officer or the Procurement section have been approached by suppliers requesting to be involved in the tender process.

**Contract:** Mitre House Car Park Refurbishment Works.

**Reason for Exception:** These works are of a specialist nature and from Officers' research, there is a very limited number of suppliers available in the market suitable to carry out the works. The proposed contractor is registered with Constructionline – the Council's recognised list of approved contractors. The works currently being carried out by that contractor have been done to a quality standard, as required by the Council.

## 7 Risk Management

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No other major risk changes have been highlighted in the period to 30 June. There have been positive developments regarding Luneside East, subsequent to that date. Otherwise, in very broad terms it is considered that the main risks facing the Council are linked to meeting its future financial challenges. A fuller assessment is planned as part of the Quarter 2 monitoring / Medium Term Financial Strategy review.

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 1 2013/14)

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)					
Environmental Services	Car Parking - Fees & Charges	+14,000	?	+0	Difficult to predict and potentially affected by United Utilities works. Overall usage has reduced by 4.5% in Q1 and has affected both daytime and evening charges.
	Morecambe Market - Rent Income	+9,200	+20,000	+0	Consistently 12-16 stall vacancies, expected income unlikely to be achieved.
	Highways	(35,000)	?	?	New contract entered into in August 2012 so just approaching first anniversary when financial review will take place.
	Vehicles - Fuel	(17,500)	(40,000)	(40,000)	Fuel price currently consistent with last years prices. Should price stay constant then project variance should be achieved.
	Trade Refuse - Income & Collection Costs	(22,000)	(22,000)	?	Re-worked budgets on latest information available from Lancs County Council.
Health & Housing	Cemeteries - Water Services	+1,200	+0	?	Notification from United Utilities of an increase in water charges from April 2014. The increase is to be phased in over 6 years, however the outcome of appeals and final charge letter is still awaited. Without any appeals there would be an increase amounting to £42K.
	Happy Mount Park - Water Services	+4,700	+7,000	+7,000	This projected variance is an estimate and is a combination of United Utilities surface water and drainage charges ( which have increased and are not controllable) and also water usage in the park including the Splash Park which is dependant on the weather. Usage will be monitored going forward.
Governance	Licensing Premises Fees	+10,200	+15,000	+15,000	Reduced premises licences fee income under 2003 Act due to reduction in number of licences.
	Members Allowances	(1,800)	(5,600)	(5,600)	Current level of allowances less than anticipated.
Regeneration & Policy	Middleton Wood Nature Reserve	(9,800)	(9,300)	+0	Income received in 2013/14 (budgeted for 12/13).
	Building Regulations Application Fees Income	+8,200	+41,800	?	Fewer fee bearing applications received due to external competition from approved inspectors delivering a private service.
Resources	Property : 56,58,60 Euston Road Rent/Rates	+18,600	+38,000	+0	Vacant properties resulting in loss of rental income and additional NNDR costs.
	Property : Lancaster Bus Station rates	+7,100	+7,100	+7,100	Reduction in transitional rate relief.
	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)	(150,000)	(150,000)	Recoveries continue to exceed budget. For last year the additional income was £145K. The budget will be reviewed at revised estimate time.
	Bad Debt provision contribution		+150,000	+150,000	It is anticipated that further contributions to the bad debt provision will be required to cover any potential increases in write offs as a result of the latest welfare reform changes.
<b>TOTAL VARIANCES</b>		<b>(95,000)</b>	<b>(39,200)</b>	<b>(109,500)</b>	
<b>Overall Salary Savings</b>		<b>(57,000)</b>	<b>(200,000)</b>	<b>+0</b>	
<b>OVERALL VARIANCES</b>		<b>(152,000)</b>	<b>(239,200)</b>	<b>(109,500)</b>	

## GENERAL FUND CAPITAL PROGRAMME MONITORING REPORT

SERVICE	SCHEME	2013/14 Gross Budget	Actual to Date	Commitments (Outstanding Orders)	Total	Variance +Overspend / (Underspend)
Environmental Services	Allotment Improvements	40,000	0	0	0	(40,000)
	Car Parks Improvement Prog	120,000	0	0	0	(120,000)
	Playground Imps/Facilities	47,000	(5,222)	5,542	320	(46,680)
	Purchase of Vehicles	0	0	1,260,353	1,260,353	1,260,353
	Toilet Works	90,000	0	1,610	1,610	(88,390)
Health & Housing	Disabled Facilities Grants	653,000	149,481	0	149,481	(503,519)
	YMCA Places of Change	0	18,023	0	18,023	18,023
	Salt Ayre Works Programme	30,000	0	0	0	(30,000)
	Warm Homes Scheme	48,000	12,113	0	12,113	(35,887)
	Albion Mills - S106 Affordable Housing	260,000	0	0	0	(260,000)
	Heysham Mossgate - S106 Affordable Housing	42,000	0	0	0	(42,000)
	Will Park Imps & Enhancements	75,000	(1,360)	0	(1,360)	(76,360)
Regeneration & Planning	Amenity Improvements	36,000	0	0	0	(36,000)
	Bold Street Renovation Scheme	0	250	0	250	250
	Lancaster Square Routes	196,000	350	0	350	(195,650)
	Luneside East	50,000	141	30,359	30,500	(19,500)
	Morecambe Area Action Plan	100,000	0	3,635	3,635	(96,365)
	Morecambe TH12 A View for Eric	446,000	0	0	0	(446,000)
	Poulton Pedestrian Route	160,000	0	0	0	(160,000)
	Sea & River Defence Works	278,000	22,760	57,439	80,198	(197,802)
Toucan Crossing King Street	13,000	0	0	0	(13,000)	
Resources	Corporate Property Works	2,402,000	(106,797)	0	(106,797)	(2,508,797)
	ICT Sytems, Infrast. & Equip	349,000	(10,383)	79,134	68,751	(280,249)
<b>Total Gross Programme</b>		<b>5,435,000</b>	<b>79,356</b>	<b>1,438,071</b>	<b>1,517,427</b>	<b>(3,917,573)</b>