

Corporate Financial Monitoring

Quarter 3: October – December 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 31 December 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.

It should be noted that this quarter's monitoring is based on the Revised Budget.

2 General Fund Revenue Monitoring

1.1 General Fund Summary Position



The current overall General Fund summary position shows that at the end of December there is a net underspend of **£51K** against the revised budget. This is currently forecast to increase to **£81K** 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	15,776	11,896	11,854	(42)
Other Net Budgets	4,043	2,699	2,690	(9)
Total	19,819	14,595	14,544	(51)
			<i>Full Year Projection</i>	(81)

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.

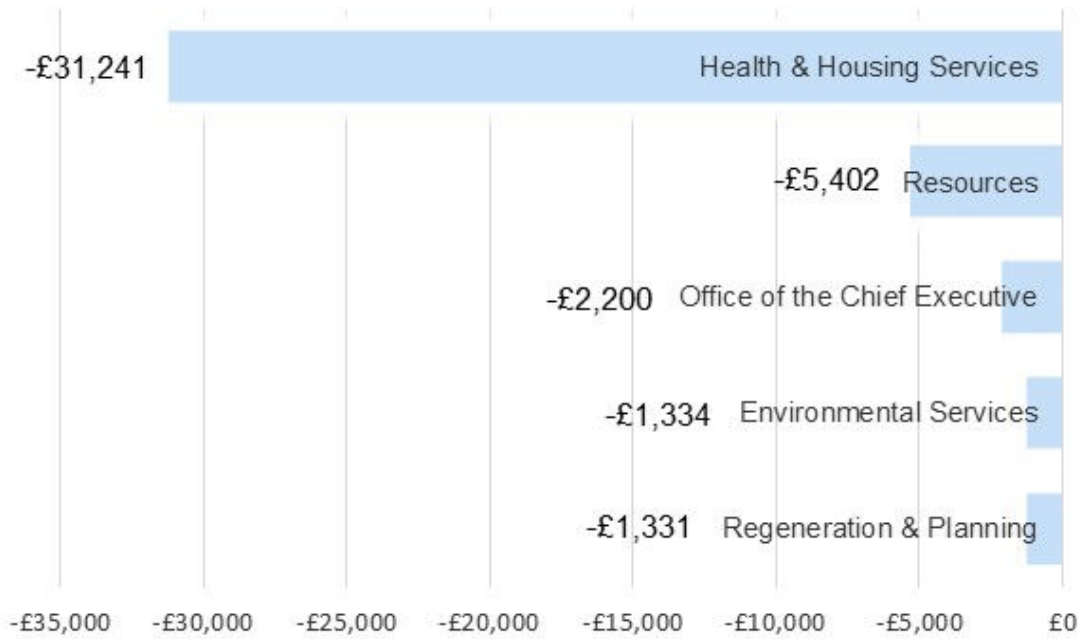
SUMMARY BY SERVICE	Current £000's	Current Year Projection £000's	Future Years Projection £000's
	() Favourable / + Adverse		
Environmental Services	+33	+7	(9)
Health & Housing	+8	+27	0
Regeneration & Planning	(53)	(40)	0
Resources	+3	+10	0
TOTAL VARIANCES	(9)	+4	(9)

1.3 General Fund Salary Monitoring

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

Savings of £42K have been achieved against the revised budget, and these are estimated to increase to £85K by the end of the year.

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



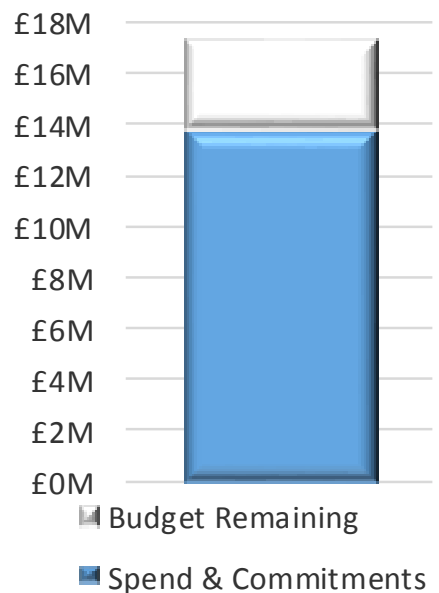
2 General Fund Capital Programme

2.1 Capital Expenditure & Financing

At the end of December there were spend and commitments of £13.128M against the revised programme of £17.294M. Details of spend against each scheme is shown at **Annex B**.

All updates to the programme have been reported to Cabinet and Council as part of the budget process.

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 D**, 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 31 December:

				£000's
Collection Fund Surplus (December 2013)				(1,192)
Represented by:				
Collection Fund Surplus b/fwd				(365)
<i>In-Year Movements to Date:</i>				
Lower Council Tax Support than estimated	(£955K) total in-year	surplus	}	(496)
Higher Second/Empty Homes income				(261)
Other Movements in Tax Base				(70)
				(1,192)
Compared to:				
	Budgeted Projection £000's	Actual Position £000's		
Total Council Tax Collectable (Yield)	57,030	57,942		
Actual amount collected	(49,445)	(49,445)	85.3%	
Amount Outstanding	7,585	8,497		(912)

As at 31 December, an estimated surplus of £1.192M (*Qtr2* £1.320M) is apparent, which is significantly higher than for the same period last year, and a reduction of £128K on the *Qtr2* position.

This year's position is made up of:

- a surplus brought forward from 2012/13 of £365K;
- £496K 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;
- £261K higher 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.
- a balance of £70K (*Qtr2* £631K) relating to other movements in the tax base or other factors which have still to be substantiated.

More detailed analysis of the tax base has been undertaken during the last quarter in order to understand the movements and to calculate the 2014/15 tax base. As a result, an

estimated surplus of £1M was formally declared for 2013/14 of which the City Council will receive £131K (13%) to go towards the 2014/15 General Fund revenue budget.

The higher yield being experienced in the current year has also been projected into next years' tax base and has resulted in an addition 900 Band D equivalent properties being added.

3.1.2 Business Rates Retention

More detailed analysis of the Business Rates Retention system and accounting requirements has also been undertaken, and an explanation of how the system works and the financial implications for the Council is attached at **Annex C**.

3.2 Council Tax and Business Rates Collection

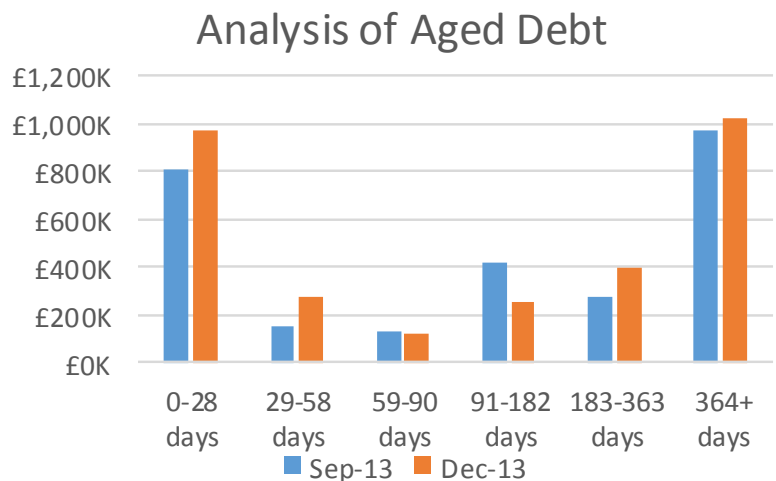
The council tax collected is slightly below target but expected to recover by the year end. This is considered more a reflection of the opportunity for taxpayers to pay by 12 rather than 10 instalments and the levy of additional charges on long term empty properties, rather than any direct impact resulting from welfare reform changes. The percentage of NNDR collected is on target.

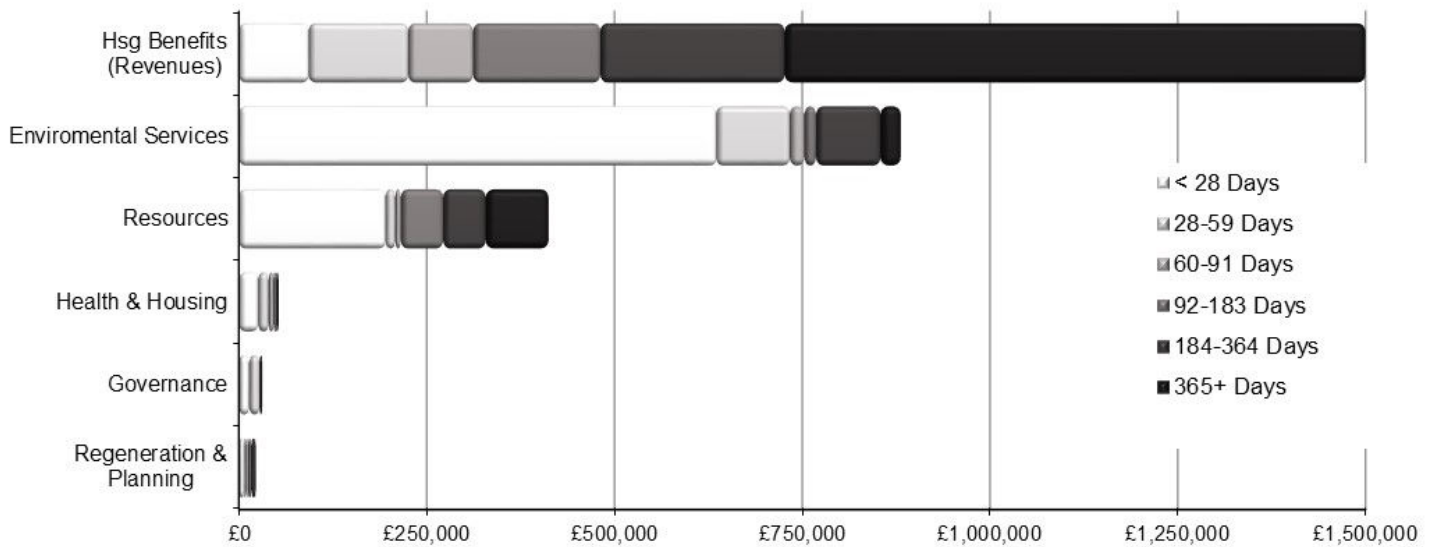
Percentage Collected	2012/13	2013/14	2013/14 Target	2013/14 Actual	Status
	All Years		In Year		
Council Tax	79.3%	78.3%	86.2%	85.3%	Slightly behind Target
Business Rates	87.8%	89.1%	88.9%	88.9%	On Target

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 December the total debt outstanding was just over £3M, which is £300K more than the previous quarter. This is mainly due to new debts (£266K) being raised by Environmental Services.

	Sept 13	Dec 13
	£000's	£000's
0-28 days	808	969
29-58 days	152	274
59-90 days	128	123
91-182 days	415	249
183-363 days	274	396
364+ days	976	1,024
	2,753	3,035
Previous Year	2,748	2,124





Attached at **Annex D** 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 Housing Revenue Account (HRA)

4.1 HRA Revenue Position

i At the end of December the position for the HRA shows an overspend of **£10K** against the revised budget, which is currently projected to increase to **£28K** by the end of the year. Details of the variances are as follows:

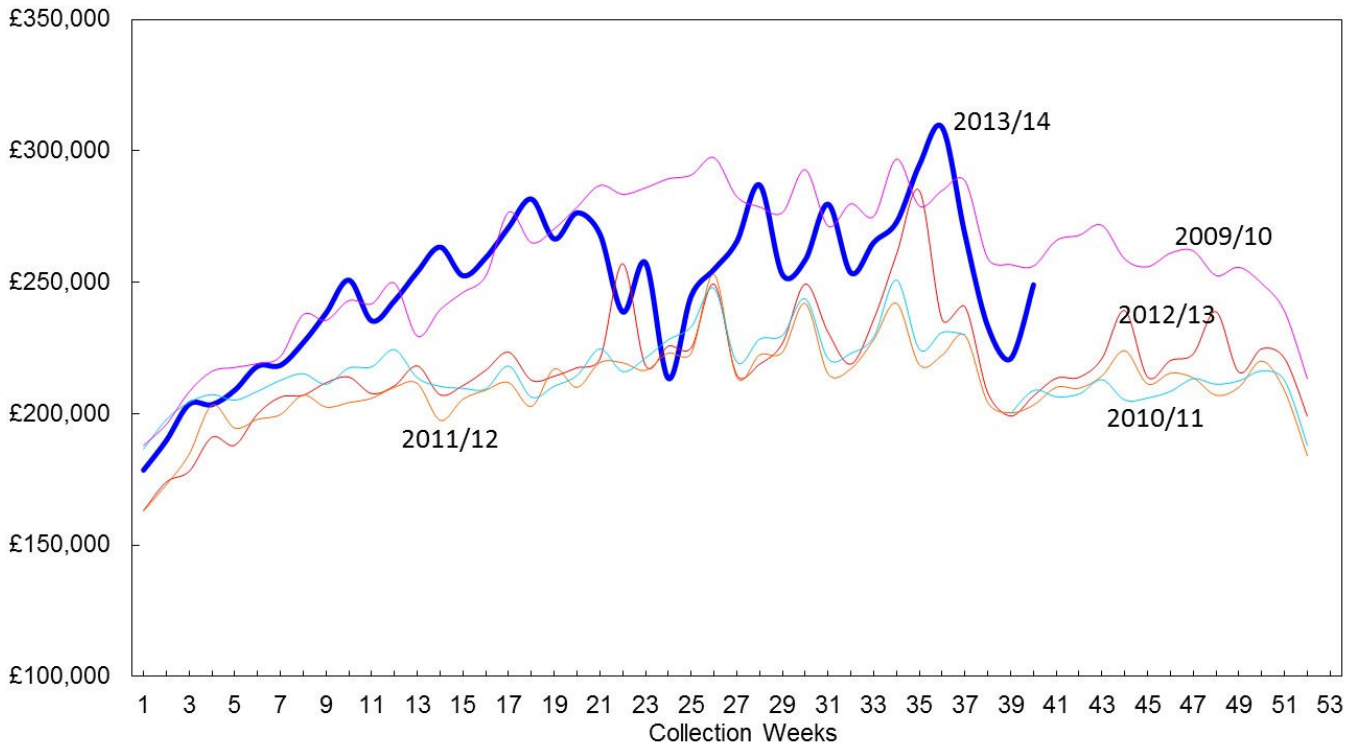
The variance relates to rental income from council houses which is projected to be down slightly (0.2%) as a result of higher than anticipated voids. The level has increased from 1.63% to 1.87%.

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 December, the level of arrears for 2013/14 is £249K (*Qtr 2* £254K) which is slightly lower than previous quarter again despite several fluctuations.

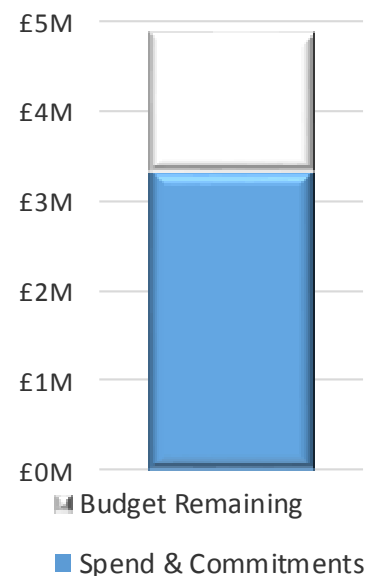
Tenants Arrears by Year



4.3 HRA Capital Programme

This section analyses actual spend and commitments against the Council Housing Capital Programme at the end of December. To date spend and commitments total £3.4M against the revised programme of £4.9M leaving a balance of £1.5M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	300	147	153
Energy Efficiency / Boiler Replacement	633	243	390
Bathroom / Kitchen Refurbishment	638	546	92
External Refurbishments	1,359	1,185	174
Environmental Improvements	886	517	369
Rewiring	92	33	59
Fire Precaution Works	267	114	153
Lift Replacement	105	50	55
Re-roofing / Window Renewals	544	495	49
PV Solar Panels	21	3	18
Septic Tanks Renewal	8	7	1
Total Mobile Upgrade	12	11	1
TOTAL	4,865	3,351	1,514



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 2013	2,635
Add: 2012/13 underspend	547
Less: Carry forwards (subject to full approval)	(101)
Add: Revised Budgeted Contribution for 2013/14	354
Add: Current Projected In-Year Underspend	81
Latest Projected Unallocated Balance as at 31 March 2014	3,516
Minimum Level	1,000
Amount Available to Support Future Years' Budgets	2,516

The table shows that if the current projected net underspending materialises Balances would be £3.516M by the end of the financial year, which leaves £2.516M to support future years' budgets, after allowing for the minimum approved levels. It should be noted that £1.4M has already been applied to support the future years budgets, subject to approval by Council on 26 February.

5.2 Insurance Provision

The current balance on the insurance provision is £200K, after making net payments of £113K in settlement of claims made. The estimated value of claims outstanding is £198K, which is £2K less than the current provision.

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 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 £000's	% Cover Required	Value £000's
Up to 1 Month	969	1%	10
1 Month to 3 Months	397	5%	20
3 Months to 365 Days	645	10%	64
Over 365 Days	1,024	50%	512
TOTAL	2,753		606

The current balance on the General Fund Bad Debt provision is £585K (*Qtr2 £589K*) which is £21K (*Qtr2 £10K more*) less than the requirement indicated, that is after allowing for this year's contribution of £100K and write-offs of £174K. Currently, therefore, the balance is just under the required level, however a detailed assessment will be undertaken as part of the 2013/14 closedown process.

6 Exceptions to Tender

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. However, there have been no exceptions to tender during quarter 3.

7 Risk Management

There have been positive developments regarding Luneside East and key asset sales, during the period. However, the work undertaken in respect of the Business Rates Retention Scheme has highlighted the key risks associated with projecting potential growth and the impact outstanding rating appeals can have. As a result, the budgets for all years have been produced on the basis that funding will fall to the Safety Net level as opposed to the Baseline Funding Level as determined by the Government. Further details on this are set out in Annex C.

In December the Council received the provisional settlement from the Government which provided provisional figures for 2014/15 and illustrative figures for 2015/16. For next year the position was only £110K less than originally projected in the Medium Term Financial Strategy, but almost £1.1M less for 2015/16. This highlights the fact that the Council's main risk is still linked to meeting its future financial challenges. More information on this is provided in the Budget reports presented to Cabinet and Council.