

Corporate Financial Monitoring

Quarter 2: July – September 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 September 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 September there is a net underspend of **£579K** (*Qtr 1 £212K*) against the current budget. This is forecast to increase to **£661K** (*Qtr1 £264K*) by the end of the year.

The main changes from Qtr 1 relate to increased salary savings of £255K, net energy savings of £35K and additional net income of £80K.

	Annual Budget £000's	Current Variance £000's	Full Year Projection £000's
Salaries	20,124	(346)	(355)
Transport	1,783	+19	(8)
Premises	9,269	(55)	(51)
Supplies & Services	11,236	(51)	(74)
Fees & Charges	(14,668)	(62)	(97)
Grants & Contributions	(3,157)	(77)	(69)
Other Net Budgets	(6,047)	(7)	(7)
Total	18,540	(579)	(661)

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.

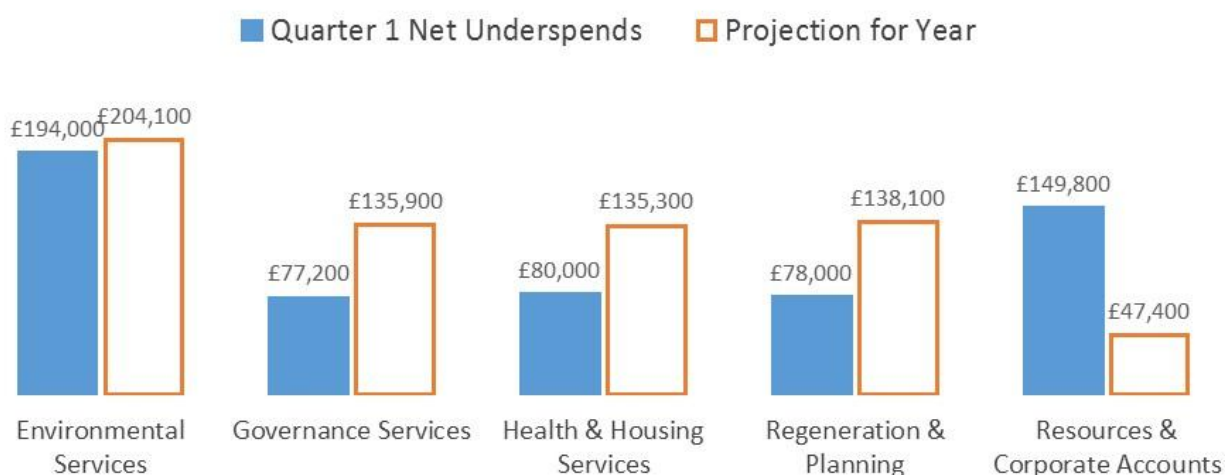
The table shows that the original budgeted savings of £322K have now been exceeded by £111K.

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	61	61
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
			322	433	111

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.



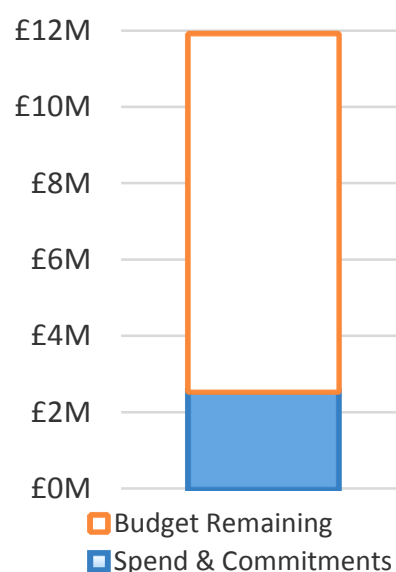
2 General Fund Capital Programme

2.1 Capital Expenditure & Financing

At the end of September there were spend and commitments of £2.556M against the latest approved programme of £11.928M. Details of spend against each scheme is shown at **Annex B**.

It should be noted that slippage of £1.706M from 2013/14 has now been added to the programme. In addition two changes have been approved under delegated authority:

- Lancaster Square Routes; £30K funded from grant income.
- Aldcliffe Road Canal Side Access Improvements; £20K funded from S106 monies.



This gives an overall updated programme of £11.928M.

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 September:

	£000's
Collection Fund Surplus (September 2014)	(1,129)
Represented by:	
2013/14 Collection Fund Surplus higher than forecast	(568)
<i>In-Year Movements to Date:</i>	
Lower Council Tax Support than estimated	(221)
Net of Higher Second Homes/Lower Empty Homes income	+33
Other Movements (net increases) in Tax Base	(373)
	(1,129)
<i>Of which the City Council would retain 13%</i>	<i>(147)</i>

Note:

	Budgeted Projection £000's	Actual Position £000's	
Total Council Tax Collectable (Yield)	59,105	59,799	
Actual amount collected	(34,202)	(34,202)	57.2%
Amount Outstanding	24,903	25,597	

As at 30 September, there is an estimated surplus of £1.129M (2013/14 Qtr2 £1.320M), which is £191K less than the same period last year.

This year's position is made up of:

- additional surplus brought forward from 2013/14 of £568K;
- £221K 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 £33K lower than estimated income from second/empty homes (specifically identifiable);
- a balance of £373K (2013/14 Qtr2 £631K) relating to other movements in the tax base or other factors which have still to be substantiated.

Should the tax base increase each year by more than originally estimated, this too helps towards balancing the General Fund revenue budget for future years.

3.1.2 Business Rates Retention

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

The table shows provisional additional income of £4.072M, of which 50% (£2.036M) is payable to Central Government and 50% (£2.036M) 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, latest projections estimate potential liabilities at £9.9M to 31 March 2014. Separately, a further £2.7M is currently provided 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 be settled until March 2017.

The implications of this on the Council's financial planning will be expanded on and addressed during the current budget exercise.

	2014/15 £000's
Net Collectable Amount of Business Rates	71.174
Less: Provision for Appeals	(2.737)
Net retained business rates	68.437
Less:	
Central Government Share – 50%	(34.219)
County Council & Fire Authority Share – 10%	(6.844)
Lancaster's Retained Business Rates Share – 40%	27.374
Less: Tariff payable to Central Government	(19.392)
Add: Small Business Rates Relief Grant	1.199
Total Amount of Retained Business Rates	9.181
Less: Lancaster's Baseline Funding Level	(5.109)
Provisional Additional Income	4.072
Split as follows:	
50% Levy Payable to Central Government	2.036
50% Retained by Lancaster	2.036

4 Housing Revenue Account (HRA)

4.1 HRA Revenue Position



At the end of September the position for the HRA shows a net underspend of **£67K** against the current budget, which is currently projected to become a net overspend of **£342K** by the end of the year. Details of the variances are as follows:

Expenditure:

Employees

Current (£62,600) Forecast (£68,800)

There have been a number of vacant posts within management and administration and central control which have now been filled.

Repair and Maintenance

Current (£5,600) Forecast +£409,400

Whilst the current position shows a slight underspend it is forecast to become an overspend of £409K by the year end. This is in line with the outturn position for 2013/14 which was overspent by over £500K. Officers from Health and Housing, Environmental Services and Financial Services are already working together to establish the reasons for the increased spend and what actions can be taken to mitigate it.

Energy Costs

Current (£30,700) Forecast (£32,900)

Usage to date has been lower than anticipated in all communal blocks of flats resulting in the above savings.

Income:

Rental from Council Dwellings

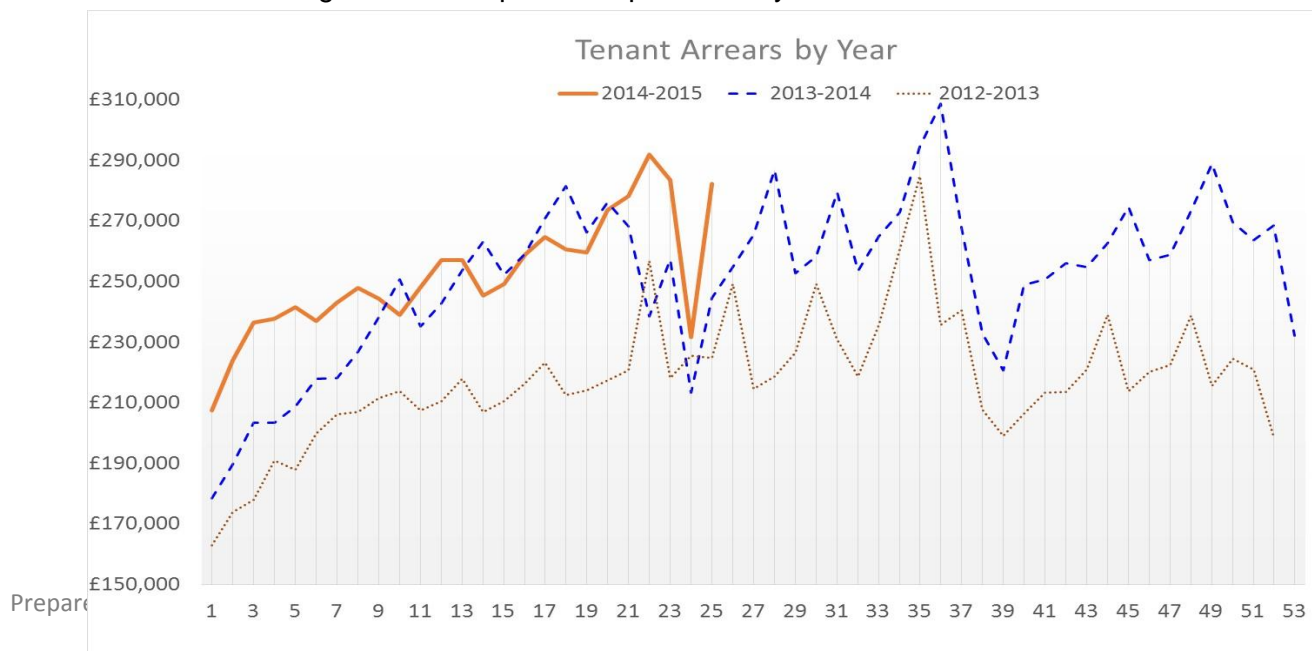
Current +£31,400 Forecast +£34,400

The main variances relates to the increase in void levels from 1.63% to 1.90%, and Right to Buy levels increasing from 5 to 10 in the previous year (2013/14), which was not forecast in the 2014/15 estimates.

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 2 years. At the end of September, the level of arrears for 2014/15 is £282K (2013/14 Qtr 1 £245K) which is £50K higher than the previous quarter this year.



4.3 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 £2.267M against the programme of £4.844M leaving a balance of £2.577M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	300	126	174
Energy Efficiency / Boiler Replacement	660	377	283
Bathroom / Kitchen Refurbishment	1,097	510	587
External Refurbishments	999	517	482
Environmental Improvements	950	385	565
Rewiring	83	10	73
Fire Precaution Works	250	49	201
Lift Replacement	120	0	120
Re-roofing / Window Renewals	360	292	68
Septic Tanks Renewal	25	1	24
TOTAL	4,844	2,267	2,577

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	661
Latest Projected Unallocated Balance as at 31 March 2015	3,916
Less: Minimum Level	1,000
Less: Budgeted Contribution for 2015/16	1,000
Amount Available to Support Future Years' Budgets	1,916

The table shows that if the current projected net underspending materialises Balances would be £3.916M by the end of the financial year. This would result in £1.916M being available 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 £267K, after making net payments of £51K in settlement of claims made. The estimated value of claims outstanding is £240K, which is £27K 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 3.3 the required level of provision would be as follows:

Period	Debt £000's	% Cover Required	Value £000's
Up to 1 Month	640	1%	6
1 Month to 3 Months	231	5%	12
3 Months to 365 Days	667	10%	67
Over 365 Days	152	50%	76
HBen Overpayments	1,605	60%	963
TOTAL	3,295		1,124

The current balance on the General Fund Bad Debt provision is £1.135M which is £11K more than the requirement indicated, which is after allowing for this year's contribution of £100K and write-offs of £67K. A formal assessment will be undertaken as part of the forthcoming budget process.

As highlighted previously, the planned implementation and roll out of Universal Credit could potentially increase risks regarding the future recovery of housing benefit overpayments and this will continue to be monitored.

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 are no exceptions to report for this quarter.