

Corporate Financial Monitoring

Quarter 3: October – December 2014

HEADLINE INFORMATION:

- General Fund revenue budget underspend of £82K, projected to become £79K by the year end.
- Housing Revenue Account underspend of £13K, projected to remain the same.
- Council Tax surplus of circa £1M.
- Sundry Debt level at £3M of which £1.7M relates to Housing Benefit Overpayment recoveries. Overall a 7% reduction on the previous quarter.
- Council Housing Rent Arrears circa £260K (9% reduction on previous quarter).

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 31 December 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.

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 **£82K** against the revised budget. This is forecast to increase slightly to **£79K** by the end of the year, allowing for known, quantified variances.

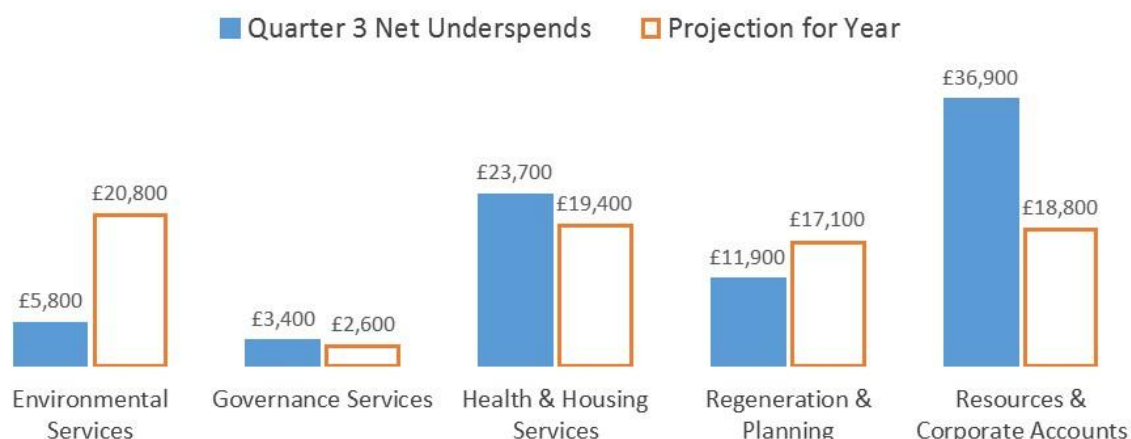
The underspend of £661K previously forecast at Qtr2 increased to £816K as part of the revised estimate process, and has been transferred into general balances. Full details of the underspend have been reported to Cabinet during the current budget process. The latest forecast underspend is in addition to the £816K; it follows the pattern of services achieving savings where they can.

	Annual Budget £000's	Current Variance £000's	Full Year Projection £000's
Salaries	19,508	(39)	(53)
Transport	1,771	-	-
Premises	9,670	(21)	(23)
Supplies & Services	15,302	3	(10)
Fees & Charges	(15,790)	(25)	7
Grants & Contributions	(3,784)	-	-
Other Net Budgets	(8,137)	-	-
Total	18,540	(82)	(79)

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; some adverse impact in respect of

treasury management (exchange rate risks) may come through at year end, but this is not yet certain or quantifiable . A service by service picture in the following graph.



2 General Fund Capital Programme

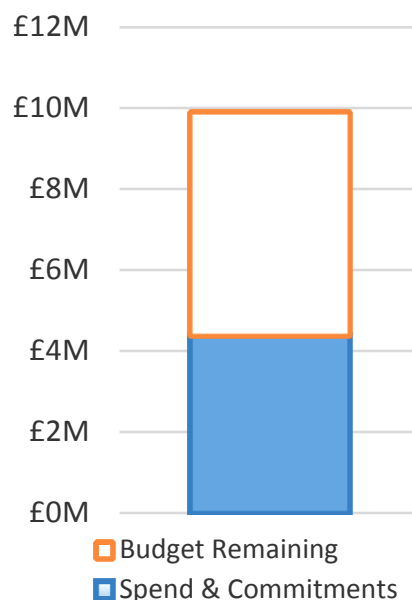
2.1 Capital Expenditure & Financing

The capital programme has been updated and reported to Members as part of the current budget process.

The latest gross programme stands at £9.8M which is reduction of £400K from the original estimate.

At the end of December there were spend and commitments of £4.4M against the latest approved programme leaving £5.4M still to spend. Details of spend against each scheme is shown at **Annex B**.

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 31 December:

	£000's
Collection Fund Surplus (December 2014)	(990)
Represented by:	
2013/14 Collection Fund Surplus higher than forecast	(568)
<i>In-Year Movements to Date:</i>	
Lower Council Tax Support than estimated	(290)
Net of Higher Second Homes/Lower Empty Homes income	+38
Other Movements (net increases) in Tax Base	(170)
	(990)
<i>Of which the City Council would retain 13%</i>	<i>(129)</i>

Note:	Budgeted Projection £000's	Actual Position £000's	
Total Council Tax Collectable (Yield)	59,105	59,804	
Actual amount collected	(50,873)	(50,873)	85%
Amount Outstanding	8,232	8,931	

As at 31 December, there is an estimated surplus of £990K (Qtr2 £1.129M), which is £139K less than the last period.

This year's position is made up of:

- additional surplus brought forward from 2013/14 of £568K;
- £290K 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 £38K lower than estimated income from second/empty homes (specifically identifiable);
- a balance of £170K (Qtr2 £373K) 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 December.

The table shows provisional additional income of £1.624M, of which 50% (£812K) is payable to Central Government and 50% 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 £12.6M to 31 March 2014. Separately, a further £2.8M 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 may be settled by 31 March 2015.

	2014/15 £000's
Net Collectable Amount of Business Rates	68.358
Less: Provision for Appeals	(6.376)
Less: Cost of Collection	(0.229)
Net retained business rates	61.753
Add:	
Less: Central Government Share – 50%	(30.877)
Less: County Council & Fire Authority Share – 10%	(6.175)
Lancaster's Retained Business Rates Share – 40%	24.701
Less: Tariff payable to Central Government	(19.392)
Add Back: Cost of Collection	0.229
Add: Small Business Rates Relief Grant	1.195
Total Amount of Retained Business Rates	6.733
Less: Lancaster's Baseline Funding Level	(5.109)
Provisional Additional Income	1.624
Split as follows:	
50% Levy Payable to Central Government	0.812
50% Retained by Lancaster	0.812

3.2 Council Tax and Business Rates Collection

The percentage collected for council tax is in line with the target. However, for Business Rates the actual collection is much lower than the target. This is due to businesses opting to pay by 12 instalments instead of the previous 10. The impact of this option was unknown when the target was set, but it is anticipated that the overall position will be in line by the end of the year.

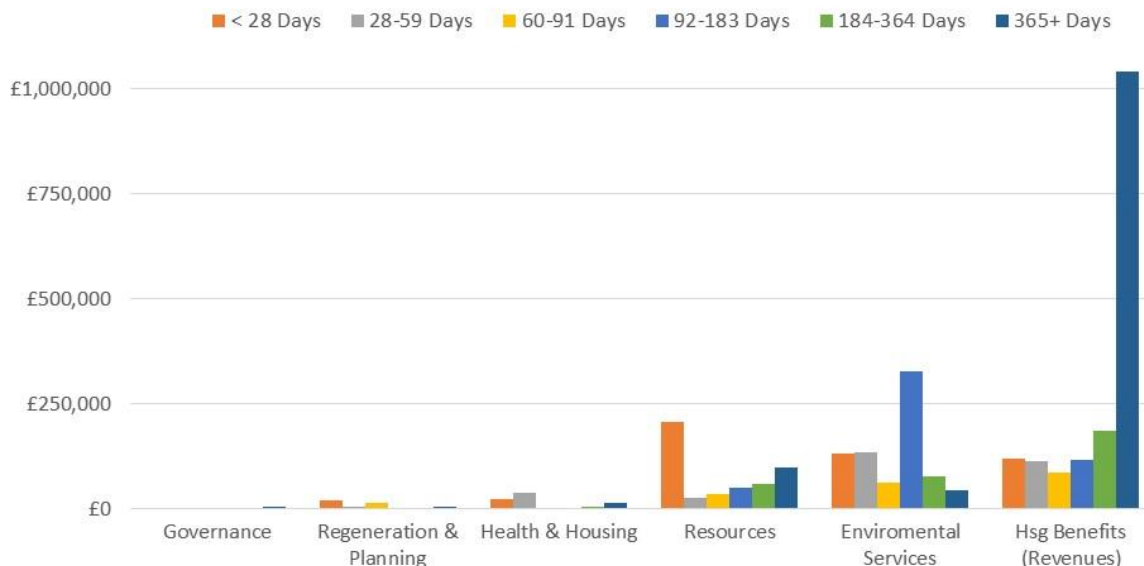
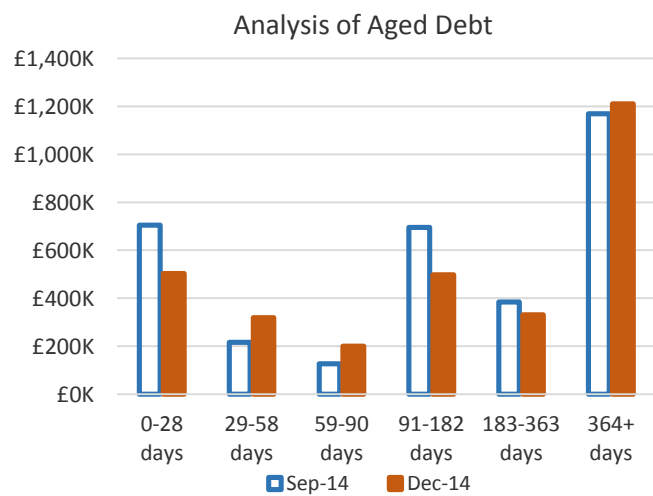
Percentage Collected	2013/14	2014/15	2014/15 Target	2014/15 Actual	Status
	All Years		In Year		
Council Tax	78.3%	77.8%	85.2%	85.1%	On Target
Business Rates	89.1%	81.6%	87.6%	82.0%	Behind

					Target
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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 under £3.1M, which is a reduction of £234K on the previous quarter.

	June 14	Sept 14
	£000's	£000's
0-28 days	704	503
29-58 days	216	319
59-90 days	127	200
91-182 days	695	498
183-363 days	384	331
364+ days	1,170	1,210
	3,295	3,061
Previous Year	2,753	3,035



SERVICE	< 28 Days	28-59 Days	60-91 Days	92-183 Days	184-364 Days	365+ Days	TOTAL
	£	£	£	£	£	£	£
Environmental Services	132,428	134,049	63,762	327,898	76,984	44,618	779,739
Governance	-	-	-	350	3,641	4,824	8,815
Regeneration & Planning	19,171	5,164	13,001	1,696	-	3,968	43,001
Resources	207,758	27,601	34,823	50,024	58,939	100,187	479,334
Health & Housing	22,657	37,839	1,299	1,479	5,903	15,084	84,262
Hsg Benefits (Revenues)	120,897	114,319	86,784	116,676	185,651	1,041,125	1,665,453

4 Housing Revenue Account (HRA)

4.1 HRA Revenue Position

i At the end of December the position for the HRA shows a net underspend of **£13K** against the revised budget, which is currently projected to remain the same until the year end. Details of the variances are as follows:

Employees

Current (£9,300)

Forecast (£16,300)

There have been further turnover savings within management and administration.

Income

Current (£3,500)

Forecast +£2,800

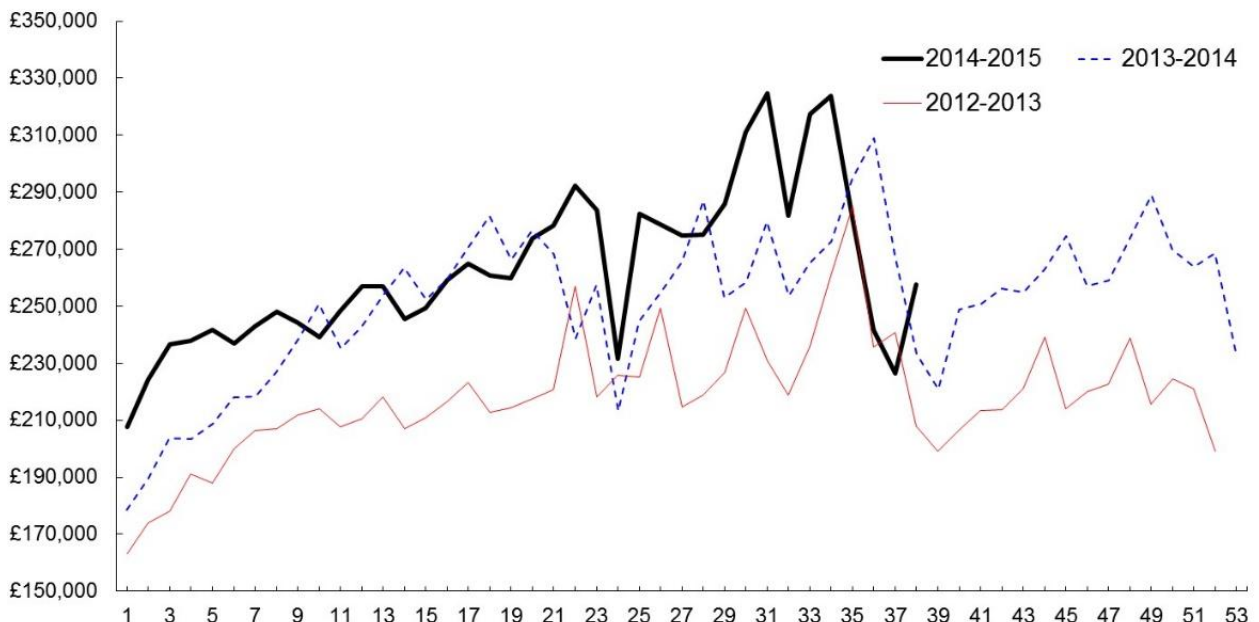
Net additional income projected to become a shortfall, mainly as a result of reduced income from Lifelines and Telecare.

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 December, the level of arrears for 2014/15 is £257K (Qtr 2 £282K) which is £25K less than the previous quarter this year.

Tenant 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 £3.313M against the programme of £4.861M leaving a balance of £1.548M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	320	200	120
Energy Efficiency / Boiler Replacement	720	473	247
Bathroom / Kitchen Refurbishment	1,294	803	491
External Refurbishments	958	832	126
Environmental Improvements	890	537	353
Rewiring	64	35	29
Fire Precaution Works	268	146	122
Lift Replacement	60	0	60
Re-roofing / Window Renewals	287	287	0
TOTAL	4,861	3,313	1,548

5 Provisions and Reserves

This section provides an update on key provisions and reserves.

5.1 Insurance Provision

The current balance on the insurance provision is £250K, after making net payments of £68K in settlement of claims made. The estimated value of claims outstanding is £216K, which is £34K less than the current provision.

5.2 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	382	1%	4
1 Month to 3 Months	318	5%	16
3 Months to 365 Days	527	10%	53
Over 365 Days	169	50%	84

HBen Overpayments	1,665	60%	999
TOTAL	3,061		1,156

The current balance on the General Fund Bad Debt provision is £1.150M which is £6K less than the requirement indicated. A formal assessment has been undertaken as part of the current budget process and a further £100K added to the provision on top of the £100K already budgeted for. Any shortfall between now and the end of the financial year will be addressed as part of the closedown 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 is one exception to report for this quarter relating to Electoral Management Software (£60K contract over 5 years), which was granted on the grounds that there was only one software provider that could satisfy the statement of needs provided by Governance Services.