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# Corporate Financial Monitoring

## Quarter 2: July – September 2015

### HEADLINE INFORMATION:

- General Fund revenue budget underspend of £769K, projected to become £842K by the year end.
- Housing Revenue Account overspend of £55K, projected to reduce to £41K by the year end.
- Estimated Council Tax surplus of £458K to date.
- Sundry Debt level at £3.4M of which £1.9M relates to Housing Benefit Overpayment recoveries.
- Council Housing Rent Arrears circa £325K.

## 1. INTRODUCTION

This report provides a snapshot on the corporate financial position for the Council at the end of September. It looks at the latest spend and income collected against profiled budgets, and where appropriate it provides a forecast projection for the full year. In addition, there are sections covering income collection and procurement.

The report is split into the following areas:

- Revenue Monitoring – General Fund and Housing Revenue Account
- Capital Monitoring – General Fund and Housing Revenue Account
- Local Taxation – Council Tax and Business Rates
- Income Collection – General Fund Sundry Debts and Council Housing Rents
- Procurement

It should be noted that the Council has to operate two specific service related funds – General Fund and Housing Revenue Account (HRA). The latter covers all aspect relating to Council Housing, whilst the General Fund covers all other Council services.

In addition, there is also a Collection Fund where the Council acts as billing authority for all Council Tax and Business Rates income in the district. This is then shared between itself, the Government, Lancashire County Council, the Police and Crime Commissioner and the Fire Authority.

## 2. REVENUE MONITORING

This section covers both General Fund and the Housing Revenue Account (HRA), and reports on variances relating to the day to day income and expenditure of the Council. There are also two specific sections for salaries and the Repair and Maintenance Section (RMS).

### 2.1. Summary Position

The table below provides an overall summary position as at the end of September for both the General Fund and HRA.

	GENERAL FUND			HRA		
	<i>Annual Budget £000's</i>	<i>Current Variance £000's</i>	<i>Full Year Projection £000's</i>	<i>Annual Budget £000's</i>	<i>Current Variance £000's</i>	<i>Full Year Projection £000's</i>
Salaries	20,146	(326)	(407)	1,465	(19)	(42)
Transport	1,701	(28)	(72)	27	(1)	(8)
Premises	9,560	12	32	5,689	18	21
Supplies & Services	9,232	(84)	48	654	13	(12)
Fees & Charges	(12,622)	(343)	(443)	(15,584)	44	82
Grants & Contributions	(4,087)	0	0	(85)	0	0
Other Net Budgets	(3,181)	0	0	0	0	0
Transfer to/(from) Reserves	(3,696)	0	0	3,464	0	0
	<b>17,053</b>	<b>(769)</b>	<b>(842)</b>	<b>0</b>	<b>55</b>	<b>41</b>

At the end of Qtr 1 the underspend on General Fund was £201K, which has now increased to £769K at the end of Qtr 2, and is projected to increase further to £842K by the year end. For the HRA Qtr 1 showed an underspend of £13K which has now changed to an overspend of £55K, however this is expected to reduce to £41K by the year end. The main changes between the Qtr 1 and Qtr 2 forecasts are shown in the following table:

	<b>Movement</b>	
	<i>Qtr 1 to Qtr 2 £'000</i>	<i>Full Year £'000</i>
<b>General Fund Position as at Quarter 1</b>	<b>(201)</b>	<b>(553)</b>
Increase in salary savings	(156)	(120)
Savings on vehicle renewals and mileage	(12)	(9)
Fuel savings	+1	+23
Utility savings	(61)	-
Bins and Boxes net savings	(25)	(7)
Reduction in cases requiring Bed & Breakfast accommodation	(10)	(16)
ICT consultancy savings	-	(19)
Additional contribution to Bad Debt Provision	-	+250
Savings on Revenues & Benefits Management Fee (re Fraud Team)	(29)	(112)
Additional planning fee income	(149)	(121)
Additional Salt Ayre Sports Centre income	(76)	(42)
Housing Benefit Overpayment Recoveries	-	(48)
Increased investment interest	(22)	-
Other net movements	(29)	(68)
<b>Position as at Quarter 2</b>	<b>(769)</b>	<b>(842)</b>

<b>HRA Position as at Quarter 1</b>	<b>(13)</b>	<b>+39</b>
Changes in salary savings	+12	(39)
Increase in court costs	+10	+9
Reduction in bad debt provision	-	(46)
Reduced rental income from increase in voids	+16	+26
Reduction in central control income	+28	+57
Other net movements	+2	(5)
<b>Position as at Quarter 2</b>	<b>+55</b>	<b>+41</b>

A more detailed analysis of all the variances at the end of Qtr 2, and projections for the year, is included at **Annex A**.

## 2.2. Salary Monitoring

The following table shows the savings for each service together with the number of vacant posts at the end of September that go towards generating those savings. At the end of September there were savings of £326K for General Fund with a total of 50 vacant posts, and savings of £19K for Council Housing and 2 vacant posts. These savings are projected to increase to £407K and £42K respectively by the end of the year.

<b>Service</b>	<b>FTE's*</b>	<b>Vacancies as at 30 Sept</b>	<b>Annual Budget £000's</b>	<b>Current Savings £000's</b>	<b>Projected Savings £000's</b>
<b>General Fund</b>					
Management Team	8	0	594	0	(13)
Environmental Services	348	21	6,979	(69)	(122)
Governance	42	4	1,252	(54)	(103)
Health & Housing	125	12	2,789	(50)	(46)
Regeneration & Planning	112	4	2,366	(55)	(17)
Resources	95	9	2,506	(98)	(106)
	<b>730</b>	<b>50</b>	<b>15,150</b>	<b>(326)</b>	<b>(407)</b>
<b>Housing Revenue Account</b>					
<b>Council Housing</b>	<b>125</b>	<b>2</b>	<b>2,789</b>	<b>(19)</b>	<b>(42)</b>
* FTE's - Full Time Equivalent Posts					

A full review of all vacant post is currently being undertaken as part of the budget process.

### 2.3. Repair and Maintenance Section – Trading Position

The work of this section is predominantly on the Council Housing stock, with a small element on municipal buildings. The total budget for the section is around £9.5M, and covers both in-house and contracted out provision for all repair and maintenance and capital works.

The table to the right sets out the financial position at the end of September. This shows there is currently an overspend of £13K against the profiled budget, which is only 0.1% of the overall annual budget, and therefore within acceptable tolerances.

	TOTAL £
<b>INCOME</b>	<b>(1,255,477)</b>
EXPENDITURE	
Direct Labour	523,507
Direct Materials	238,812
Overheads	757,080
Recharged Revenue Work	834,952
<b>TOTAL EXPENDITURE</b>	<b>2,354,351</b>
<b>NET EXPENDITURE</b>	<b>1,098,874</b>
Profiled Budget	1,085,900
<b>Variance from Budget - Adverse/(Favourable)</b>	<b>12,974</b>

With regards to Value for Money considerations, officers have recently commissioned a high level review of the section, and the results of this will be considered during the budget process.

## 3. CAPITAL MONITORING

This section covers both General Fund and the HRA. Again reporting on any changes to the programmes or key variances. This section includes both expenditure and financing.

### 3.1. General Fund Capital Programme

The latest gross capital programme stands at £12.631M after the following changes were made during Qtr 2:

- **Delegated Officer Decision – 10 July 2015**  
*Bold Street Demolition Works* £4,000  
 Funded from revenue.
- **Delegated Officer Decision – 21 July 2015**  
*MAAP – Improving Morecambe’s Main Streets* -£85,000
- **Delegated Officer Decision – July 2015**  
*Williamson Park playground* £30,000  
 Funded by Lancashire Environmental Fund grant.
- **Delegated Officer Decision – July 2015**  
*Wave Reflection Wall re-profiling* £1,033,000  
 Grant funding also re-profiled.

At the end of September there were spend and commitments of £2.977M leaving £9.654M still to spend. Details of spend against each scheme is shown in **Annex B**.

Unfortunately, it has not been possible to provide a Property Group report for Qtr 2 due to unforeseen work demands.

### 3.2. HRA Capital Programme

The gross HRA Capital Programme currently stands at £5.045M. Against this there are spend and commitments of £2.477M leaving £2.568M still to spend. Details of spend against each scheme is shown in **Annex B**.

## 4. LOCAL TAXATION

### 4.1. Collection Fund Monitoring

#### 4.1.1. Council Tax Yield (Total Collectable)

This section provides a summary analysis of the current surplus or deficit on the Fund, shown in the following table. 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.

		£000's
<b>Collection Fund Surplus (September 2015)</b>		<b>(458)</b>
<i>Represented by In-Year Movements to Date:</i>		
Lower Council Tax Support than estimated	(420)	
Net of Higher Second Homes/Lower Empty Homes income	+47	
Other Movements in the Tax Base	(85)	<b>(458)</b>
<i>Of which the City Council would retain 13%</i>		<i>(60)</i>

As at 30 September, there is an estimated surplus of £458K of which the City Council would retain £60K.

This year's position is made up of:

- £420K lower than estimated council tax support. This will continue to fluctuate as claimants' circumstances change, but since establishing the scheme proposals back in 2013, the trend is still that the total support being claimed is lower than expected;
- overall £47K lower than estimated income from second/empty homes (specifically identifiable);
- a balance of £85K relating to other movements in the tax base.

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.

#### 4.1.2. Business Rates Retention

The position relating to retained business rates at the end of September is shown in the following table.

	Original £000's	June £000's	Sept £000's
Net Collectable Amount of Business Rates	(64.309)	(65.251)	(64.991)
Less: Provision for Appeals	3.109	7.771	5.302
<b>Net retained business rates</b>	<b>(61.200)</b>	<b>(57.480)</b>	<b>(59.689)</b>
Less: Central Government Share – 50%	30.600	28.740	29.845
Less: County Council & Fire Authority Share – 10%	6.120	5.748	5.969
<b>Lancaster's Retained Business Rates Share – 40%</b>	<b>(24.480)</b>	<b>(22.992)</b>	<b>(23.875)</b>
Less: Tariff payable to Central Government	19.763	19.763	19.763
Add Back: Cost of Collection	(0.227)	(0.227)	(0.227)
Add: Small Business Rates Relief Grant	(1.415)	(1.390)	(1.408)
<b>Total Amount of Retained Business Rates</b>	<b>(6.359)</b>	<b>(4.846)</b>	<b>(5.747)</b>
Less: Lancaster's Baseline Funding Level	5.207	5.207	5.207
<b>Provisional Additional Income</b>	<b>(1.152)</b>	<b>-</b>	<b>(0.540)</b>
<b>Provisional Loss of Income</b>	<b>-</b>	<b>0.361</b>	<b>-</b>
Split as follows:			
<b>50% Levy Payable to Central Government</b>	<b>(0.576)</b>	<b>-</b>	<b>(0.270)</b>
<b>50% Retained by Lancaster</b>	<b>(0.576)</b>	<b>-</b>	<b>(0.270)</b>

*N.B. The Safety Net Threshold for 2015/16 is £4.816M*

The table shows that originally it was anticipated that there would be additional income of £1.152M, of which 50% (£576K) is payable to Central Government and 50% retained by the Council. At the end of June this was projected to be a loss in income of £361K, and now the latest position shows additional income of £540K. The main reason for such fluctuations is a result of changes in the valuation of appeals, which can change for a variety of reasons – new appeals being lodged, appeals being settled, withdrawn, rejected or revalued. As the table above shows, the value of appeals can go up as well as down.

Such fluctuations highlight how uncertain forecasting business rates income can be and also the significant impact changes in appeals can have.

#### 4.2. Council Tax and Business Rates Collection

The percentages collected in year for both council tax and business rates are ahead of target at the end of September. The cumulative collection for all years is also ahead.

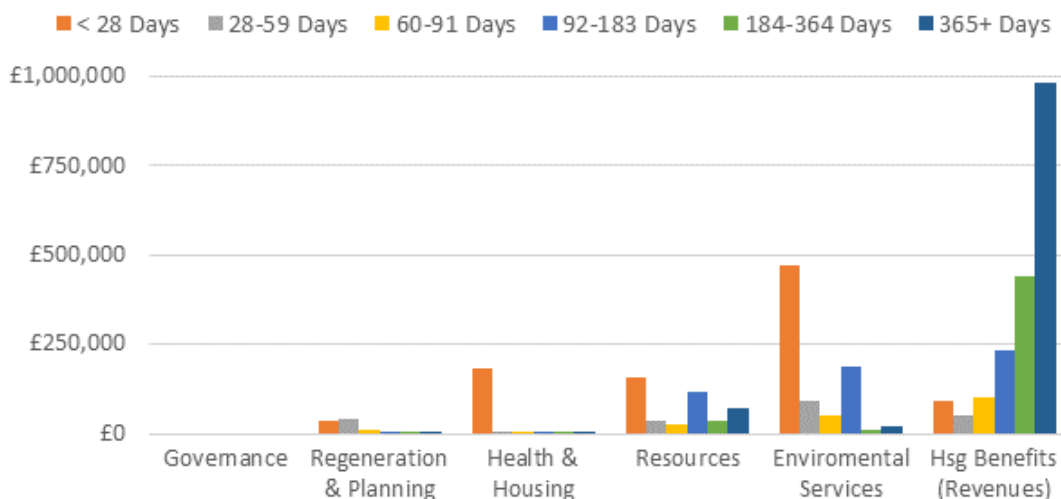
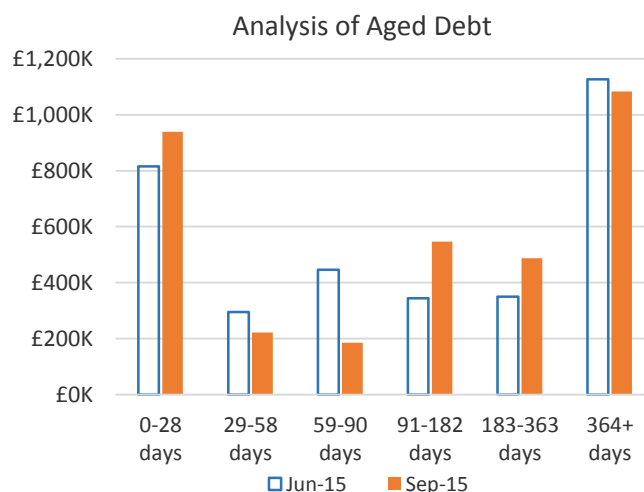
Percentage Collected	2014/15	2015/16	2015/16 Target	2015/16 Actual	Status
	All Years		In Year		
Council Tax	52.1%	56.4%	57.0%	57.5%	Ahead of Target
Business Rates	55.5%	56.0%	55.2%	56.6%	Ahead of Target

## 5. INCOME COLLECTION

### 5.1. Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of September the total debt outstanding was just under £3.5M, which is £88K higher than the previous quarter. The bad debt provision currently stands at £974K which is under provided by £75K at the half year point, and with further write-offs expected before the end of the year, around an additional £250K is expected to be added as part of the revised budget process. This would also increase cover for Housing Benefit Overpayments from 60% to 70%, ahead of Universal Credit wider roll out.

	June 15	Sept 15
	£000's	£000's
0-28 days	815	939
29-58 days	295	222
59-90 days	446	186
91-182 days	344	547
183-363 days	350	487
364+ days	1,126	1,083
	<b>3,376</b>	<b>3,464</b>
Previous Year	3,244	3,295

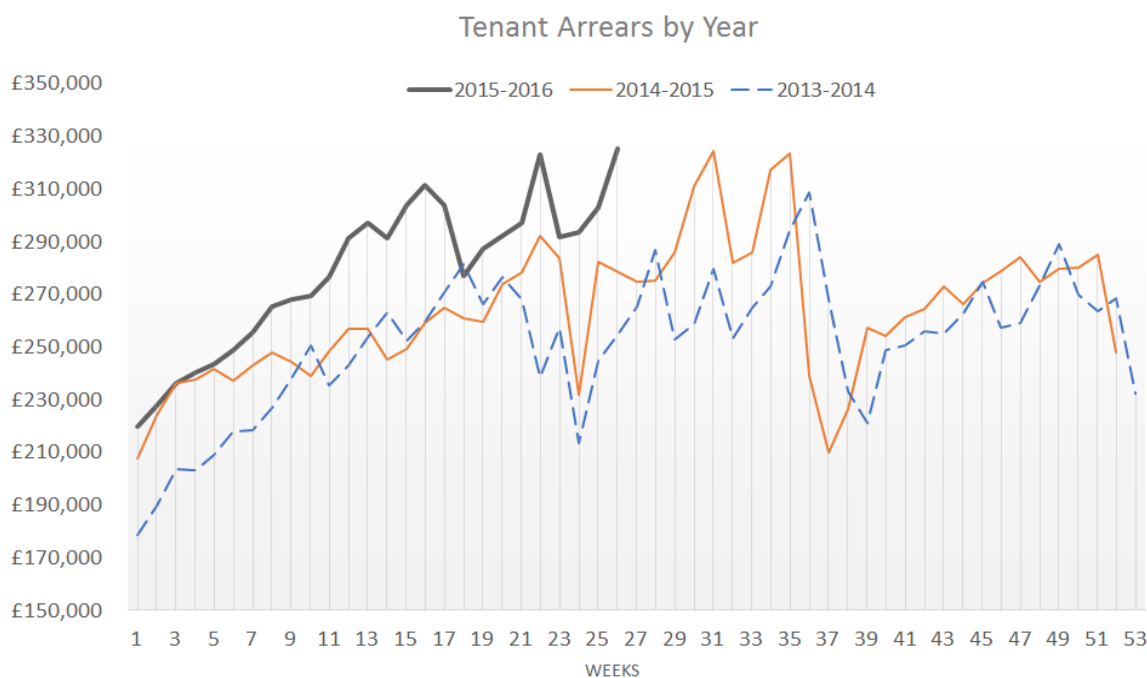


SERVICE	< 28 Days	28-59 Days	60-91 Days	92-183 Days	184-364 Days	365+ Days	TOTAL
	£	£	£	£	£	£	£
Environmental Services	470,674	90,933	50,812	188,153	9,513	20,941	831,025
Governance							-
Regeneration & Planning	37,829	40,770	8,985	5,810	709	4,666	98,770
Resources	158,365	35,036	25,493	117,407	35,096	73,531	444,928
Health & Housing	180,253	2,656	1,089	597	1,018	505	186,118
Hsg Benefits (Revenues)	91,533	52,609	99,998	235,220	441,160	983,557	1,904,077
	938,655	222,003	186,377	547,186	487,496	1,083,201	3,464,918

## 5.2. 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 2015/16 is £325K (2014/15 Qtr 2 £282K) which is £34K higher than the previous quarter this year. At this early stage, no specific actions are yet proposed (other than continuing to review and analysis).



## 6. CONTRACT PROCEDURE RULES AND OTHER EXCEPTIONS TO TENDER

### 6.1. Exceptions to Tender

In accordance with the approved contract procedure rules all exceptions to tender and other significant contract variations will be reported as part of the quarterly corporate monitoring process.

- The first exception relates to the 2<sup>nd</sup> class mail services, for which a Yorkshire Purchasing Organisation framework agreement was used instead of an open tender.
- The second exception relates to the Morecambe Area Action Plan, and a select list of 7 contractors was used instead of an open tender. The list was previously used for similar works on Lancaster Square Routes.