
Corporate Financial Monitoring

Quarter 3: October - December 2015

HEADLINE INFORMATION:

- General Fund revenue budget has a projected underspend of £9K against the revised budget by the year end.
- Housing Revenue Account has a projected underspend of £108K against the revised budget by the year end.
- Estimated Council Tax surplus of £405K to date.

1. INTRODUCTION

This report provides a snapshot on the corporate financial position for the Council at the end of December. It looks at the latest spend and income collected against profiled revised 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 monitoring for Qtr 3 is compared to the revised budget and shows that for the General Fund there are no variances to report at the end of the quarter. However, there is a projected underspend of £9K by the year end. A summary of the projected variance is shown below:

<i>Employees</i>	<i>(£22K)</i>
<i>Revenues & Benefits Shared Services Mgt Fee</i>	<i>(£13K)</i>
<i>Fees and Charges</i>	<i>+£26K</i>

For the HRA, again there are no variances to report for Qtr 3, but there is an estimated underspend of £108K being projected for the year end. A summary of the projected variance is shown below:

<i>Employees</i>	<i>(£12K)</i>
<i>Council Tax on Void Properties</i>	<i>+£6K</i>
<i>Saving on Cable Street Lease</i>	<i>(£28K)</i>
<i>Increased Court Costs</i>	<i>+£6K</i>
<i>Reduced revenue financing of capital programme</i>	<i>(£80K)</i>

A detailed analysis of all the variances at the end of Qtr 3, and projections for the year, is included at **Annex A**.

2.2. Salary Monitoring

At the end of December there are no current savings against the revised budget, however there are projected to be savings of £22K for General Fund and £12K for Council Housing by the year end.

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 December. This shows there is currently an underspend of £3K against the profiled revised budget, which is therefore within acceptable tolerances.

	TOTAL £
INCOME	(1,968,800)
EXPENDITURE	
Direct Labour	845,694
Direct Materials	360,327
Overheads	1,016,117
Recharged Revenue Work	1,318,910
TOTAL EXPENDITURE	3,541,048
NET EXPENDITURE	1,572,248
Profiled Budget	1,574,925
Variance from Budget - Adverse/(Favourable)	(2,677)

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 £8.543M for the current year. At the end of December there were spend and commitments of £4.839M leaving £3.704M still to spend. Details of spend against each scheme is shown in **Annex B**.

In terms of capital financing, £630K of the budgeted £641K has already been received with the balance due in February.

Also included in this report is a Property Group update which is attached at **Appendix B**.

3.2. HRA Capital Programme

The gross HRA Capital Programme currently stands at £4.831M. Against this there are spend and commitments of £3.803M leaving £1.028M still to spend. Details of spend against each scheme are again shown in **Annex B**.

In terms of financing, additional receipts of £80K from right to buy sales means a corresponding reduction in the amount of revenue financing required.

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
Collection Fund Surplus (December 2015)		(405)
<i>Represented by In-Year Movements to Date:</i>		
Lower Council Tax Support than estimated	(497)	
Net of Higher Second Homes/Lower Empty Homes income	+58	
Other Movements in the Tax Base	+34	(405)
<i>Of which the City Council would retain 13%</i>		<i>(53)</i>

As at 31 December, there is an estimated surplus of £405K of which the City Council would retain £53K.

This year's position is made up of:

- £497K 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 £58K lower than estimated income from second/empty homes (specifically identifiable);
- a balance of £34K 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 December is shown in the following table.

	Original £000's	June £000's	Sept £000's	Dec £000's
Net Collectable Amount of Business Rates	(64.309)	(65.251)	(64.991)	(64.991)
Less: Provision for Appeals	3.109	7.771	5.302	5.267
Net retained business rates	(61.200)	(57.480)	(59.689)	(59.691)
Less: Central Government Share – 50%	30.600	28.740	29.845	29.846
Less: County Council & Fire Authority Share – 10%	6.120	5.748	5.969	5.969
Lancaster's Retained Business Rates Share – 40%	(24.480)	(22.992)	(23.875)	(23.876)
Less: Tariff payable to Central Government	19.763	19.763	19.763	19.763
Add: Small Business Rates Relief Grant	(1.408)	(1.390)	(1.408)	(1.439)
Total Amount of Retained Business Rates	(6.125)	(4.619)	(5.520)	(5.552)
Less: Lancaster's Baseline Funding Level	5.207	5.207	5.207	5.207
Provisional Additional Income	(0.918)	-	(0.313)	(0.345)
Provisional Loss of Income	-	0.588	-	-
Split as follows:				
50% Levy Payable to Central Government	(0.459)	-	(0.157)	(0.173)
50% Retained by Lancaster	(0.459)	-	(0.156)	(0.172)

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 £918K, of which 50% (£459K) is payable to Central Government and 50% retained by the Council. At the end of December this is projected to be £345K, which is a reduction of £573K. 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 behind target at the end of December, although only Business Rates is of significance. Conversely, the cumulative collection for all years is behind for Council Tax but ahead for Business Rates. This cumulative Council Tax position to date reflects the relatively recent introduction of 12 monthly instalments, for which take-up is increasing.

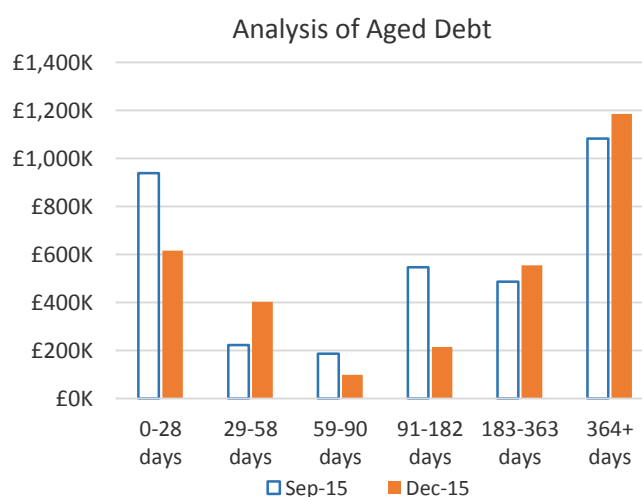
Percentage Collected	2014/15	2015/16	2015/16 Target	2015/16 Actual	Status
	All Years		In Year		
Council Tax	86.3%	84.5%	85.0%	84.9%	Slightly behind Target
Business Rates	81.6%	83.2%	82.0%	80.2%	Behind Target

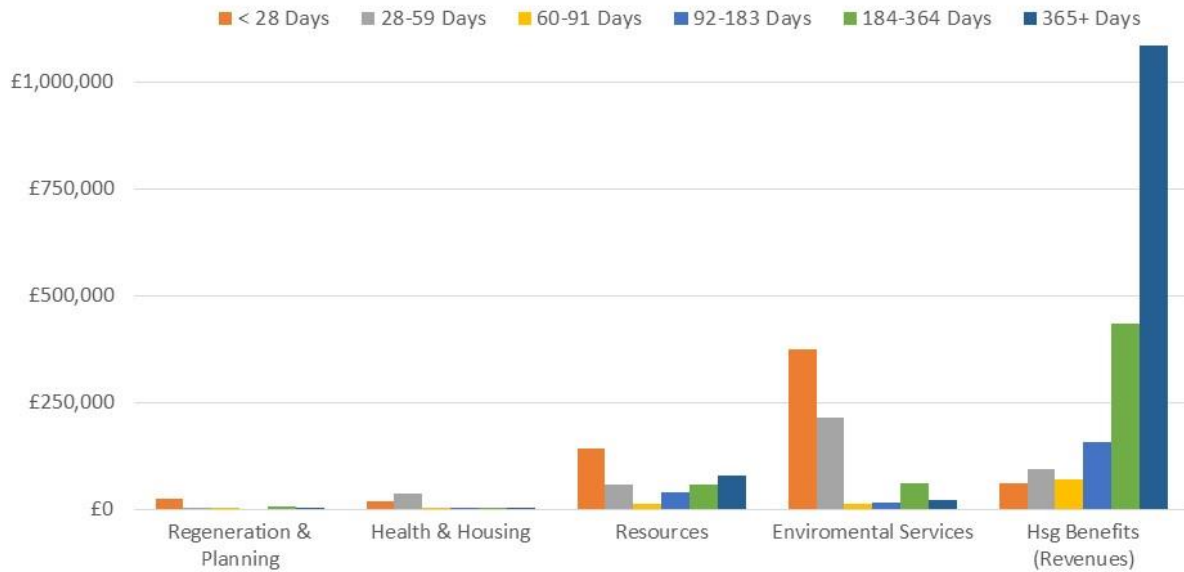
5. INCOME COLLECTION

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 December the total debt outstanding was just under £3.5M, which is £88K higher than the previous quarter. The majority (£1.9M) still relates to housing benefit overpayments. The bad debt provision currently stands at £1.388M which is under provided by £33K. A further review of the provision will be carried out at year end, with any additional contributions being made as part of that process.

	Sept 15	Dec 15
	£000's	£000's
0-28 days	939	616
29-58 days	222	403
59-90 days	186	99
91-182 days	547	215
183-363 days	487	555
364+ days	1,083	1,186
	3,464	3,074
Previous Year	3,295	3,061



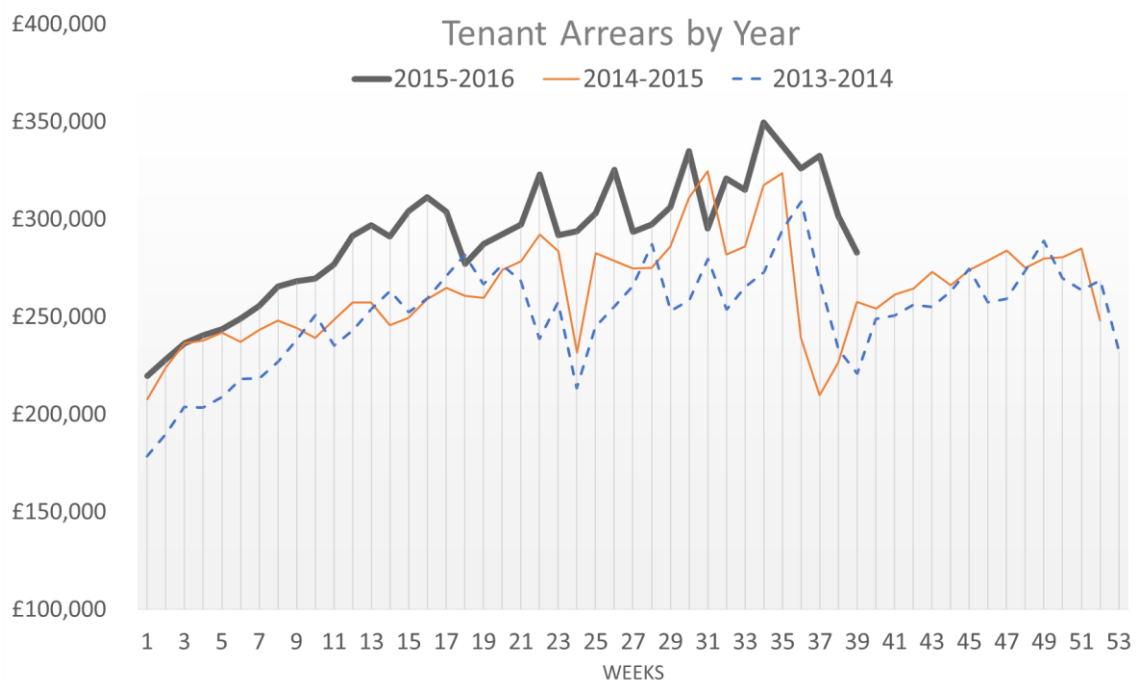


SERVICE	< 28 Days	28-59 Days	60-91 Days	92-183 Days	184-364 Days	365+ Days	TOTAL
	£	£	£	£	£	£	£
Enviromental Services	373,158	213,537	13,132	16,009	59,629	21,964	697,429
Regeneration & Planning	23,180	1,673	2,683	-	4,680	342	32,557
Resources	140,806	58,868	10,724	39,094	55,960	79,504	384,956
Health & Housing	18,239	35,423	2,228	2,918	106	300	59,214
Hsg Benefits (Revenues)	60,243	93,596	69,817	157,182	434,175	1,084,006	1,899,019
	615,625	403,097	98,585	215,203	554,549	1,186,117	3,073,176

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 December, the level of arrears for 2015/16 is £283K (2014/15 Qtr 3 £257K) which is £42K lower 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.

- There were no exceptions to tender during the period.