

## CORPORATE FINANCIAL MONITORING

### QUARTER 1 (April to June)

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#### INTRODUCTION

This report provides the key variances to note at the end of quarter 1, in terms of the revenue and capital budgets and local taxation. It also includes updates on key reserves and income collection.

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#### REVENUE BUDGET

**General Fund** – Current overspend of **£47K**, forecast to become an underspend of **£6K** by year end, taking account of various assumptions drawing on last year's outturn. **Annex A** provides a breakdown of the main variances which are summarised in the table below.

	Qtr 1 £000's	Full Year Forecast £000's
Employees	-87	-150
Premises	+20	-16
Supplies & Services	+5	-6
Income	+109	+166
<b>Net Overspend (+)</b>	<b>+47</b>	<b>-6</b>

The most significant variance relates to Green Waste which is forecast to be down by £280K by year end. More details have been provided by the Chief Officer (Environmental Services) at **Annex B**.

In addition, a more detailed monitoring statement on Salt Ayre Leisure Centre is included at **Annex C**.

**Housing Revenue Account** – Current overspend of **£26K**, but forecast to increase to **£204K** by year end. The main reason is that void losses (£176K) have increased to 2.9% whilst the budget was based on 1.9%. A consultant from APSE, acting as interim manager, is currently reviewing operations at RMS with the aim of bringing in changes to improve the position.

#### ACTIONS:

The Chief Officer (Environmental Services) reports back on actions/improvements being taken to reduce void losses and secure other operational improvements within RMS.

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#### CAPITAL

##### *Expenditure*

**General Fund** – Original approved programme of £13.181M has been increased by £1.924M slippage from 2016/17 to give an updated programme of £15.105M. Spend and commitments at the end of June totalled £4.249M leaving £10.856M still to spend.

**Housing Revenue Account** – Original approved programme was £4.077M. Spend and commitments at the end of June totalled £512K leaving £3.565M still to spend.

##### *Financing*

**General Fund** – To date £2.844M has been received in grants and contributions against a budget of £6.225M (updated for slippage from 2016/17) – no variances are expected. Of the estimated £870K capital receipts funding, one amount of £370K is expected towards the end of November and a further £475K due in the next 6 to 12 months. In addition, further receipts totalling £54K have also been receiving from the sale of a vehicle and one grant repayment.

Further updates will be incorporated into the next review of the capital programme as part of the forthcoming 2018/19 budget setting process.

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## LOCAL TAXATION

**Council Tax** – Current surplus of £59K. Main changes are:

- Deficit from previous year +£197K
- Reduced cost of Council Tax Support -£185K
- Reduced charge for Second/Empty Homes +£57K
- Other Movements in Tax Base -£128K

In tax base terms this equates to approximately 34 additional net chargeable Band D equivalent properties, bringing the total tax base to 40,840 gross properties.

**Retained Business Rates** – The latest position on business rates shows net income up by £220K when compared to the original estimate. The Net Rates Payable is down by £945M mainly due to additional reliefs and transitional protection being awarded. However, this is offset by a reduction in appeals of £1.165M.

	Original £000's	June £000's	Movement £000's
Net Rates Payable	-63,377	-62,432	+945
Appeals	6,759	5,594	-1,165
<b>Business Rates Income</b>	<b>-56,618</b>	<b>-56,838</b>	<b>-220</b>
City Council Retained Income (40%)	-22,647	-22,735	
Less Tariff	19,662	19,662	
Add Small Business Rates Relief Grant	-1,251	-1,259	
<b>Net Retained Income</b>	<b>-4,236</b>	<b>-4,332</b>	
Safety Net Payment	-720	-624	
<b>Total Retained Income</b>	<b>-4,956</b>	<b>-4,956</b>	

Overall, this does not change the Council's budgeted position as it is still in safety net.

**Pooling** – Consideration of joining the Lancashire Business Rates Pool is still not considered a feasible option for the Council at this point in time. Under current arrangements, participants of the pool retain 100% of their own gains, but more importantly also have to stand 100% of their own losses, as the protection afforded by the Safety Net mechanism is no longer available. At present, there is some uncertainty about Government's future intentions regarding pooling arrangements going forward. Unfortunately though, if nothing changed, the Council would still not be in a position to be able to benefit financially from joining any pool arrangement. Instead, it would expose itself to £multi-million risk from potentially large appeals, as has been experienced in previous years. There may be other aspects to consider, however, depending on Government's plans, and these will be picked up later in September.

**Prior Year Surpluses** – As reported at outturn, the Council could benefit from surpluses of up to £4M generated in 2016/17, however, these would not be available until 2018/19 and would still be subject to movements in income and appeals. A formal review of this position will be undertaken in December as part of the 2018/19 Business Rates estimate process.

### Collection Performance

Council Tax is slightly ahead and Business Rates slightly behind, but nothing to cause concern at this point in the year.

	Full Year Target	Target to Date	Actual to Date
Council Tax	96.4%	29.4%	29.3%
Business Rates	98.8%	28.3%	28.4%

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## RESERVES

**Economic Growth Reserve** – Approved allocations are shown below which leave a current balance of **£28.8K** on the reserve.

<b>Opening Balance</b>	<b>£500.0K</b>
Cabinet 26 June 2017 – Exempt Report	£150.0K
<b>Officer Delegated Decisions (31 July 2017)</b>	
Economic Growth Strategy	£15.0K
Economic Development Staff Resource (2 years)	£101.7K
Marketing & Communications Staff Resource (2 years)	£111.4K
Growth Lancashire (2 years)	£30.0K
Business Events / Sponsorship	£13.1K
Marketing Materials	£5.0K
Place Narrative & Perspective	£20.0K
<u>Signage (Central Morecambe's Main Roads)</u>	<u>£25.0K</u>
<b>Balance Remaining</b>	<b>£28.8K</b>

### Budget Support Reserve

<b>Opening Balance</b>	<b>£1,000K</b>
Cabinet 14 February 2017 - Senior Leadership Team	£85K
<u>Council 19 July 2017 – Community Pools</u>	<u>£96K</u>
<b>Balance Remaining</b>	<b>£819K</b>

Regarding the Senior Leadership Team, the allocation is in line with the report to Cabinet in February 2017. The phasing between years has been updated (to reflect the actual start date of the Assistant Chief Executive post) and the Chief Executive will report on any further implications in due course, with the annual Pay Policy Statement due for reporting at Budget Council. A further allocation for Community Pools was approved by Council on 19 July 2017 leaving a current balance of **£819K** on the reserve.

Other minor allocations (below the Key Decision threshold) are expected in due course in connection with Investors in People and external facilitation to support Cabinet's strategic review, and these will be reported on in due course.

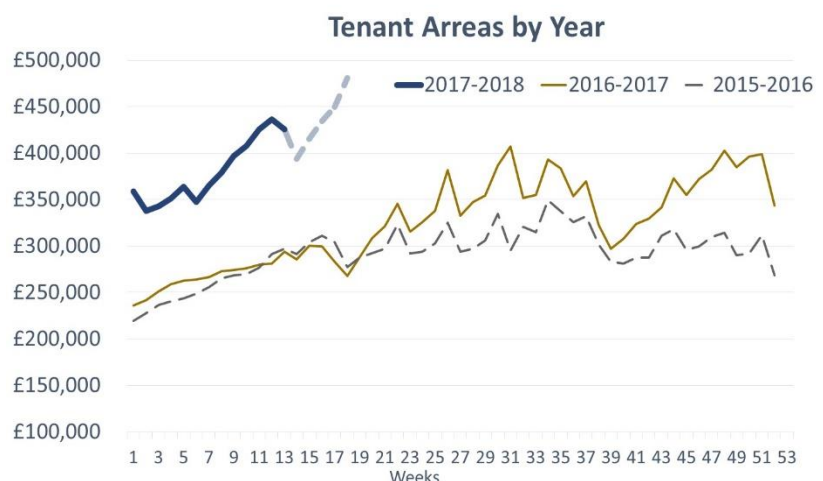
### General Fund Unallocated Reserve

The current balance on the General Fund Unallocated Reserve stands at £4.890M which is £249K more than originally estimated due to the revenue underspend in 2016/17.

## INCOME COLLECTION

### Council Housing Rent Arrears – At

the end of June the level of arrears was £425K (2015/16 Qtr 3 £294K) which is a significant increase on the previous year. As expected the impact of the Universal Credit introduction has had a detrimental impact on collection. Officers predict the position will worsen and may peak at £500K. A new income manager has recently been appointed who will be working to improve the position.



**ACTION:** Chief Officer (Health & Housing) to report back on the actions being taken to reduce arrears and improve collection.

**Sundry Debts** – At the end of June the level of debt was £3.436M which is a reduction of £601K from Qtr4 last year (£4.037M). The bad debt provision currently stands at £2.455M which is £56K more than the required level. No action is required at present but a further review of the provision will be made at Qtr2.

SERVICE	< 28 Days	28-59 Days	60-91 Days	92-183 Days	184-364 Days	365+ Days	2017/18 QUARTER 1 TOTALS	Compared to 2016/17 Quarter 1 Totals
	£	£	£	£	£	£	£	£
Enviromental Services	407,463	43,371	26,266	421,839	4,645	20,876	924,460	962,247
Regeneration & Planning	15,531	5,084	-	7,827	240	3,356	32,039	-
Resources	125,448	30,717	39,988	62,216	74,098	79,433	411,901	36,419
Health & Housing	31,429	13,177	5,629	8,937	25,713	2,800	87,685	384,029
Governance	-	693	-	1,000	-	-	1,693	193,098
Hsg Benefits (Revenues)	113,590	59,617	31,907	115,932	235,229	1,422,118	1,978,393	1,990,796
<b>2017/18 Quarter 1 Totals</b>	<b>693,461</b>	<b>152,659</b>	<b>103,790</b>	<b>617,752</b>	<b>339,925</b>	<b>1,528,584</b>	<b>3,436,171</b>	<b>3,566,588</b>
<b>2016/17 Quarter 4 Totals</b>	<b>1,777,042</b>	<b>131,008</b>	<b>106,156</b>	<b>203,018</b>	<b>352,008</b>	<b>1,468,389</b>	<b>4,037,621</b>	

The debt of £421K shown against Environmental Services (92-183 Days) relates mainly to trade waste debtors, and instalment arrangements are already in place for virtually all of it (92%). The remainder is being actively pursued either by officers, legal processes or has been referred to bailiffs.

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## CONTRACT PROCEDURE RULES AND OTHER EXCEPTIONS TO TENDER

**Exceptions to Tender** – There were three exceptions to tender in Qtr 1:

- Bailrigg Garden Village – delivery planning. Approval was given to use the Homes and Communities Agency Property Panel to provide the required consultancy. This was on the basis that the Panel had already provided competition in their selection process, and that it would ensure provision of an appropriately qualified and experienced consultant.
- School transportation for swimming lessons. Approval was given as there was uncertainty regarding the service required due to the withdrawal from community pools, in addition to the lack of providers within the district.
- ICT firewall protection between Salt Ayre Leisure Centre and the Old Fire Station. Approval was given to use the current network support provider as they could deal directly with the hardware provider thus ensuring lowest price, and also to expedite the process to ensure works were completed as quickly as possible.

It should also be noted that one contract let by RMS for the provision of works to major voids was terminated by mutual agreement at the request of the contractor.

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