

## CORPORATE FINANCIAL MONITORING 2017/18

### QUARTER 3

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#### INTRODUCTION

This report provides the key variances to note as at the end of December, in terms of the revenue and capital budgets and local taxation. Please note that monitoring is against the revised budget for the purpose of this update – this is due to be approved by Council on 31 January.

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#### REVENUE BUDGET

**General Fund** – Current net underspending of **£48K**, forecast to increase to **£79K**, which would bring the budgeted overspending down from £222K to £143K for the year (when compared with the original budget). The main variances are summarised in the table below. In addition, a more detailed monitoring statement on Salt Ayre Leisure Centre is included at **Annex A**.

	Qtr 3 £000's	Full Year Forecast £000's
<b>Revised General Fund Net Revenue Budget (after £222K use of balances)</b>	<b>15,839</b>	<b>15,839</b>
	(Favourable)/+Adverse	
Employees	(28)	(50)
Premises	+12	+3
Transport	0	0
Supplies & Services	0	(7)
Fees & Charges	(31)	(29)
Other Income	(1)	+4
<b>Forecast Net Revenue Outturn</b>	<b>15,791</b>	<b>15,760</b>
<b>(Net Underspend)</b>	<b>(48)</b>	<b>(79)</b>

Employee savings relate to delays in recruitment and restructuring within Health & Housing.

The increase in Fees & Charges is primarily due to additional pay and display income, although this amount is expected to substantially reduce in Q4 due to the impact of the forthcoming Greyhound Bridge repairs. The Full Year Forecast also incorporates the impact of the Government's 20% Planning Fee increase from February 2018.

**Housing Revenue Account** – No significant variances highlighted at Q3, with the year-end forecast remaining in line with the revised budget net overspending of **£221K**.

#### ACTIONS COMPLETED:

Actions/improvements being taken to reduce void losses and secure other operational improvements within RMS were reported to Cabinet on 16 January as part of the HRA budget report, the outcomes will be reported back to Cabinet in the Autumn.

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#### CAPITAL

##### *Expenditure*

**General Fund** – The latest revised programme as reported to Cabinet on 16 January was £12.048M. Spend and commitments at the end of December totalled £8.380M leaving £3.668M still to spend.

Further reviews of the programme will be undertaken before the final programme is presented to Budget Council on 28 February.

**Housing Revenue Account** – Latest revised programme as reported to Cabinet on 16 January was £4.204M. Spend and commitments at the end of December totalled £3.175M leaving £1.029M still to spend. Further reviews of the programme will be undertaken before the final programme is presented to Budget Council on 28 February.

### **Financing**

As reported to Cabinet on 16 January, capital receipts are now forecast to be £1.081M this year, which is a net increase of £211K on the originally budgeted £870K. The main additional receipt relates to the sale of St. Leonard's House.

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## **RESERVES**

A full update on reserves will be reported to Cabinet and Council in February.

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## **LOCAL TAXATION**

**Council Tax** – Current deficit of £19K (£153K surplus at Qtr2). Main changes are:

- Deficit from previous year +£188K
- Reduced cost of Council Tax Support (£397K)
- Reduced charge for Second/Empty Homes +£86K
- Other Movements in Tax Base +£142K

In tax base terms this equates to approximately 11 net chargeable Band D equivalent properties, bringing the total tax base to 40,829 gross properties. One of the key factors in the change from a surplus to a deficit position will be the impact of additional discounts given in respect of properties affected by the flood in November.

A formal assessment of the Council Tax position was made on 15 January in line with the statutory requirements and a balanced fund was forecast for the year end, i.e. no overall surplus or deficit.

**Retained Business Rates** – The latest position on business rates shows net income down by £64K (up by £220K at Qtr1) when compared to the original estimate. The Net Rates Payable is down by £1.229M mainly due to additional reliefs and transitional protection being awarded. However, this is offset by a reduction in appeals of £1.165M.

	<b>Original £000's</b>	<b>Sept £000's</b>	<b>Dec £000's</b>	<b>Movement From Original £000's</b>
Net Rates Payable	(63,377)	(62,148)	(61,712)	+1,665
Appeals	6,759	5,594	2,844	(3,915)
<b>Business Rates Income</b>	<b>(56,618)</b>	<b>(56,554)</b>	<b>(58,868)</b>	<b>(2,250)</b>
City Council Retained Income (40%)	(22,647)	(22,622)	(23,547)	
Less Tariff	19,662	19,662	18,588	
Add Small Business Rates Relief Grant	(1,251)	(1,289)	(1,315)	
<b>Net Retained Income</b>	<b>(4,236)</b>	<b>(4,249)</b>	<b>(6,274)</b>	
Safety Net Payment	(720)	(707)	-	
50% Levy Payment	-	-	458	
<b>Total Retained Income</b>	<b>(4,956)</b>	<b>(4,956)</b>	<b>(5,816)</b>	

As a result of the Provisional 2018/19 Finance Settlement the business rates position has changed considerably. The Settlement included an adjustment to the 2017/18 tariff to address the impact of the 2017 revaluation on local authorities. For Lancaster this means a reduction of £1.074M, subject to the final Settlement being approved. Overall, this would mean a potential year end surplus of £458K for the Council after allowing for a 50% levy payment to Government. The complexities of the business rates system mean that this surplus will not be available until 2019/20, and may well change as a result of appeals.

Finally, the position has also improved as a result of a reduction in the provision for appeals. The latest reassessment indicates that the provision can reduce by some £3.9M. However, this is caveated by the fact that no appeals in the relation to the 2017 rating list have yet been submitted and a very broad estimate of potential costs has been made. A formal assessment of the business rates position will be made at the end of January in line with the statutory requirements.

### Collection Performance

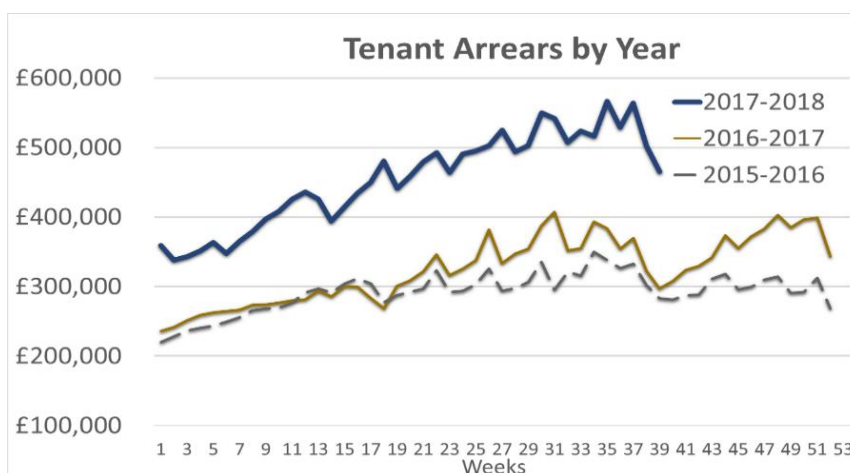
Both Council Tax and Business Rates are slightly behind target - no specific action is required.

	Full Year Target	Target to Date	Actual to Date
Council Tax	96.4%	84.7%	84.4%
Business Rates	98.8%	80.0%	79.9%

## INCOME COLLECTION

### Council Housing Rent Arrears –

At the end of December the level of current council housing rent arrears was £465K (3.5% of rent debit), a reduction of £37K on the previous Qtr2 figure of £502K. Even though there has been an improvement the level of rent arrears will remain high due to the continuing impact of Universal Credit.



In terms of collection, at the end of Qtr 3 the percentage was 99.05% (Qtr 2 97.78%) against the target of 99.4%.

### UPDATE ON ACTIONS BEING TAKEN:

As was reported to Cabinet on the 16 January it is proposed that a further Income Management Officer is appointed to address the increasing case load and provide capacity to undertake more preventative work; providing increased and much needed capacity to provide advice and support to tenants around arrears, benefits, budgeting, and signposting to other services. In addition to this a review of the arrears management processes and systems has been undertaken to provide further capacity to undertake preventative and recovery work.

**Sundry Debts** – At the end of December the level of debt was £3.175M which is a decrease of £279K from Qtr2. Environment Services, Resources and Housing Benefit debts have decreased by £205K, £72k and £42K respectively, whereas other general sundry debts have increased by £39K. The bad debt provision currently stands at £2.309M which is £15K more than the required level. No action is required at present but a further review of the provision will be made at Outturn.

SERVICE	< 28 Days	28-59 Days	60-91 Days	92-183 Days	184-364 Days	365+ Days	2017/18 QUARTER 3 TOTALS	Compared to 2016/17 Quarter 3 totals
	£	£	£	£	£	£	£	£
Enviromental Services	380,306	20,374	8,378	16,658	94,592	11,375	531,683	252,213
Regeneration & Planning	19,697	4,256	23,456	460	11,793	3,910	63,572	48,607
Resources	157,438	17,799	19,755	96,458	48,589	62,901	402,941	468,340
Health & Housing	54,916	2,245	603	22,559	20,927	24,216	125,467	79,727
Governance	-	-	7	300	900	-	1,207	500
Hsg Benefits (Revenues)	35,683	55,347	59,578	199,137	229,730	1,470,215	2,049,690	1,955,584
<b>2017/18 Quarter 3 Totals</b>	<b>648,041</b>	<b>100,021</b>	<b>111,777</b>	<b>335,572</b>	<b>406,532</b>	<b>1,572,617</b>	<b>3,174,560</b>	<b>2,804,971</b>
<b>2016/17 Quarter 3 Totals</b>	<b>405,751</b>	<b>164,804</b>	<b>82,970</b>	<b>242,903</b>	<b>477,916</b>	<b>1,430,627</b>	<b>2,804,971</b>	

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## CONTRACT PROCEDURE RULES AND OTHER EXCEPTIONS TO TENDER

**Exceptions to Tender** – There was one exception to tender in Qtr 3:

- Renewal of Soil Vent Pipes and Rain Water Pipes to high Rise flat blocks, the request was to carry out a restricted tender process using a number of specialised and registered installers of the Polypipe products ensuring maximum guarantees from the manufacturer.
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