

CORPORATE FINANCIAL MONITORING 2018/19

QUARTER 1

INTRODUCTION

This report provides an overview of the Council's financial position and key budgetary variances as at the end of June, in terms of the revenue and capital budgets and local taxation. It also includes updates on key reserves and income collection.

REVENUE BUDGET

General Fund – A minor net overspending of **£25K** exists as at 30 June. Should net spending progress as currently forecast, an overspending in the region of **£307K** could be experienced by year-end, taking account of various assumptions drawing on last year's outturn. The main variances are summarised in the table below and provided in more detail at **Annex A**. In addition, a separate monitoring statement on Salt Ayre Leisure Centre is included at **Annex B**.

	Qtr 1 £000's	Full Year Forecast £000's
General Fund Net Revenue Budget	16,204	16,204
	(Favourable)/+Adverse	
Employees	(4)	+251
Premises	0	+34
Transport	+7	+8
Supplies & Services	+13	+77
Income(Fees & Charges and Interest)	+9	(63)
Updated Net Revenue Budget	16,229	16,511
Net Overspend (+)	+25	+307

The main forecast variance of £251K (adverse) relates predominantly to staff turnover savings yet to be achieved. In line with recent years, a savings provision of just over £400K is assumed within the current year's budget. The provision has been comfortably made in the past - for example in last year, as at Qtr 1 the salaries budget (net of that quarter's turnover savings provision) was underspent by £86K, but that compares with a £4K underspending for the comparable period this year, based on services' monitoring information.

There is a tendency for managers to under-estimate lead-in times for replacing staff, and clearly the actual incidence of turnover is not certain and so can vary significantly (either way) from budget assumptions. Nonetheless, when compared with last year the monitoring indicates that remedial action is likely to be needed to contain costs within budget, but further analysis needs to be undertaken to inform any such actions or decision-making.

ACTION:

The HR Manager undertakes further analysis of the turnover position and future expectations, in conjunction with the Financial Services Manager, and reports back to Cabinet on the outcome and any proposed actions.

Separately, progress against the savings measures approved as part of the 2019/20 budget (**£505K**) is detailed within **Annex C**, and is broadly in line with current expectations.

On a more general note it is evident that there are a number of areas of potential under- or overspending (including under-achievement of income).

To demonstrate:

The additional income reported in the table is primarily due to extra pay and display revenue (£80K), increased visitor numbers to Williamson Park (£50K) and a high number of DFG grant completions within Health & Housing (£50K).

Conversely, greater budget pressures are evident. The garden waste collection service has so far generated £890K of income but a shortfall is still forecast. Work is taking place to assess the budgetary risks, in the context of the overall waste collection / trade waste budget. Regarding other functions, reduced occupancy levels on the markets are being experienced (+£24K) as is reduced activity within Building Control (+£37K). In addition, investment interest received is lower than expected (+£22K).

In previous years, forecast underspendings have typically exceeded any forecast overspendings, but this is not the current expectation in this year.

ACTION:

Chief Officers review their areas of current and/or expected overspendings, identifying corrective actions or options where possible, providing such information to the Financial Services Manager for him to report back corporately to Cabinet.

More generally, capacity concerns still exist regarding the prioritisation, programming and management of key projects and feasibility studies, that in turn should feed into the 2019/20 budget.

ACTION:

A report also scheduled for the August Cabinet agenda proposes some measures to help address those concerns. Other proposed measures will follow in due course, as Management Team completes its programming review.

Housing Revenue Account – Current underspend of **£30K**, which is forecast to increase to **£86K** by year end. The main reason is a significant improvement in void property turnaround times which has led to forecast additional rental income (£100K).

CAPITAL

Expenditure

General Fund – The original approved Capital Programme of £11.400M has been increased by a net £515K for slippage and accelerated spend from 2017/18, and by a further £204K (see detailed below) to give an updated programme of £12.119M. Total spend and commitments to the end of June totalled £1.719M leaving £10.400M still to spend.

Additional Changes:

CCTV: Extension to White Lund Depot - £53K, funded from Invest to Save Reserve (approved Cabinet 24 April 2018)

Car Park Improvements - £7K, external contribution to upper St.Leonardgate / Lodge Street car parks.

Disabled Facilities Grants - £144K, increase in grant funding allocation above original estimate.

Housing Revenue Account – The original Capital Programme of £4.421M has been increased to £4.481M after allowing for slippage of £60K from 2017/18. Spend and commitments at the June totalled £483K leaving £3.998M still to spend.

Financing

General Fund

To date £3.559M of grants and contributions has been received against a budget of £5.395M (updated for slippage from 2017/18 and for new funding identified above). Also, additional capital receipts of £41K have been received from the sale of vehicles, and other low value items.

RESERVES

Budget Support Reserve – Approved allocations are shown below, which leave a current balance of **£2.060M** on the reserve.

	£000's
Opening Balance	711
Net Budgeted Contribution to Reserve (allowing for £2.6M business rate income)	1,512
Cabinet 26 th June:	
Environmental Services Restructure	(90)
Extension of Interim HR Manager to 31 July 2018	(23)
Extension of Interim Head Legal and Democratic Services to 31 October 2018	(32)
Officer Delegated Decisions in consultation with Cabinet Members	
Job Evaluation Officer – to undertake a 3 months review of options	(18)
Closing Balance	2,060

The above takes account of the £2.6M planned transfer from the Business Rate Retention Reserve, following the 2017/18 outturn.

Invest to Save – Approved allocation are shown below which leave a current balance of **£1.453M** on the reserve.

	£000's
Opening Balance	1,506
Cabinet 24 th April – White Lund Depot	(53)
Closing Balance	1,453

General Fund Unallocated Balances

Unallocated General Fund Balances stand at £5.067M, this is £399K more than the original estimate of £4.668M, due to the revenue underspend in 2017/18.

LOCAL TAXATION

Council Tax – Current deficit of £93K (£94K deficit as at 31 March 2018). Main changes are:

- Deficit from previous year +£94K
- Reduced cost of Council Tax Support (£165K)
- Reduced charge for Second/Empty Homes +£93K
- Other Movements in Tax Base +£71K

In tax base terms this equates to approximately 53 net chargeable Band D equivalent properties, bringing the total tax base to 41,699 gross properties. Should the deficit remain then this would mean an additional cost to the General Fund of £12K in 2019/20 (13% of the deficit).

Retained Business Rates – The latest position on business rates shows net income down by £98K when compared to the original estimate, after allowing for an increase in estimated appeals of just over £1M.

Overall, the total estimated Retained Income is £73K down on the original forecast. This position will inevitably fluctuate during the year but will not impact directly on the overall General Fund budget, as in due course, any decrease in income of around that scale would be met from the Business Rates Retention Reserve.

	Original £000's	June £000's	Movement From Original Fav (-) / Adverse (+) £000's
Net Rates Payable	(64,487)	(65,398)	(911)
Appeals	3,123	4,132	+1,009
Business Rates Income	(61,364)	(61,266)	+98
City Council Retained Income (40%)	(24,546)	(24,506)	
Less Tariff	18,848	18,848	
Add Net Small Business Rates Relief Grant	(1,102)	(1,042)	
Net Retained Income	(6,800)	(6,700)	+100
Safety Net Payment	-	-	
50% Levy Payment	616	589	(27)
Total Retained Income	(6,184)	(6,111)	+73

Collection Performance

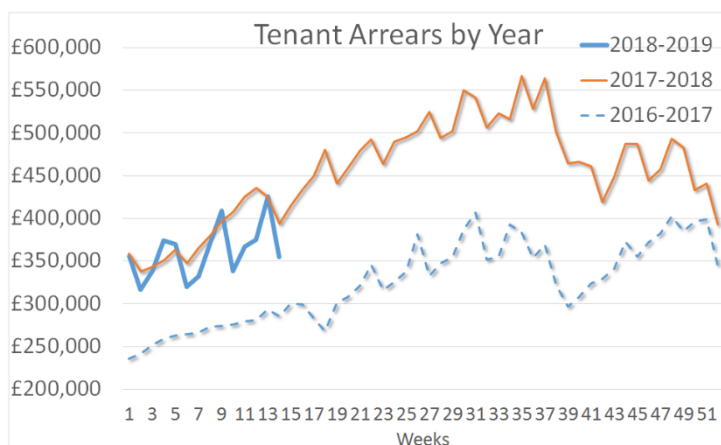
Both Council Tax and Business Rates are very slightly behind target - no specific action is required at this point.

	Full Year Target	Target to Date	Actual to Date
Council Tax	96.4%	29.4%	29.1%
Business Rates	98.8%	28.3%	28.1%

INCOME COLLECTION

Council Housing Rent Arrears – At the end of week 14 the level of current council housing rent arrears was £354K (2.9% of £13.337M rent debit), a reduction of £39K on the previous Qtr4 figure of £393K.

The profile is now matching the 4 weekly cycle of direct debit and DWP payments being received. This is because more and more tenants are moving over to Universal Credit and onto direct DWP monthly payments.



Sundry Debts – At the end of June the level of debt was £5.261M which is an increase of £2.038m from Qtr4. However, of this £1.751M relates to an invoice to Lancashire County Council for the 2018/19 Disabled Facilities Grant allocation, which was repaid on 13 July. Excluding this the increase reduces to £288K.

The bad debt provision currently stands at £2.596M which is £13K lower than the required level. No action is required at present but a further review of the provision will be made in October.

SERVICE	< 28 Days	28-59 Days	60-91 Days	92-183 Days	184-364 Days	365+ Days	2018/19 QUARTER 1 TOTALS	Compared to 2017/18 Quarter 1 totals
	£	£	£	£	£	£	£	
Enviromental Services	95,709	236,927	461,647	8,311	13,678	13,152	829,423	924,460
Regeneration & Planning	7,751	8,805	5,895	6,719	18,164	15,164	62,497	32,039
Resources	150,576	30,002	56,206	39,308	41,254	47,740	365,086	411,901
Health & Housing	1,882,042	8,364	2,034	24,627	15,655	15,549	1,948,272	87,685
Governance	-	-	-	-	307	780	1,087	1,693
Comm Eng M & A	57,102		2,682	300	-	314	60,399	
Hsg Benefits (Revenues)	44,894	61,780	71,357	82,778	235,094	1,498,450	1,994,352	1,978,393
2018/19 Quarter 1 Totals	2,238,074	345,878	599,821	162,042	324,153	1,591,149	5,261,116	3,436,171
2017/18 Quarter 4 Totals	833,509	129,072	97,402	194,573	390,330	1,578,342	3,223,228	

CONTRACT PROCEDURE RULES AND OTHER EXCEPTIONS TO TENDER

Exceptions to Tender – There was one exception to tender in Qtr 1:

- Installation of Smart CCTV and access control system at White Lund Depot, by Vodafone under the CCS framework RM1045 in order to provide a consistent approach throughout the authority on CCTV.
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