

CORPORATE FINANCIAL MONITORING 2018/19

QUARTER 2

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 – An underspending of **£120K** exists as at 30 September. However should spending progress as currently forecast, a net overspend in the region of **£93K** could be experienced by year-end, once agreed funding from the Council's reserves is applied.

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 2 £000's	Full Year Forecast £000's
General Fund Revenue Budget	16,204	16,204
	(Favourable)/ Adverse	
Employees	25	237
Premises	(14)	92
Transport	8	35
Supplies & Services	14	81
Support Charges	(13)	(25)
Fees & Charges	(89)	(267)
Minor Variances	(83)	11
Other Variances	32	(71)
Update Revenue Budget	16,084	16,297
(Under)/ Overspend	(120)	93

The Council's overall projected position has improved since Qtr 1 (+£307K). This is predominantly due to a forecast increase in Fees & Charges (£200K). The significant movements are Salt Ayre's contract with the University of Cumbria Contract (£83K), additional grant funding (£88K) being received in relation to Disabled Facilities Grants, extra planning fees (£92K), and additional licence fee income as a result of legislative changes in regard to Houses of Multiple Occupancy (HMO) (£45K)

Conversely, budget pressures remain evident within several service areas, additional reports are required regarding the Council's Local Plan (+£117), and reduced occupancy levels on the markets are being experienced, as is reduced activity within Building Control. Given recent developments we can no longer expect the budgeted contribution from British Land £100K towards work around the Canal Quarter development. In addition, investment interest received is lower than expected (+£33K). Overall the Council employee cost variance has reduced slightly to +£237K from Qtr 1 (+£251K). Although the corporate staff turnover provision has been removed as part of PRT 2 and budgets realigned based on projected phasing of recruitment, the funding of temporary appointments to fill various positions within the Council continues to place pressure in the area.

Garden Waste Collection - The Councils garden waste collection service has so far generated £904K of income, but a shortfall (+£56K) is still forecast.

The following table illustrates the number of subscriptions gained in 2018/19 and the corresponding financial impact

	Estimated Subscriptions	Actual Subscriptions	Variance	Original Budget £	Actual £	Variance £
Paid prior to 01 April 2018	20,841	17,839	-3,002	833,640	713,560	-120,080
Paid during 2018/19	3,159	4,749	1,590	126,360	189,960	63,600
TOTAL	24,000	22,588	-1,412	960,000	903,520	-56,480

Housing Revenue Account – Current underspend of **£27K**, which is forecast to increase to **£66K** 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 for 2017/18 and accelerated spend and by a further £3.336M (see detailed below) to give an updated programme of £15.251M. Total spend and commitments to the end of September totalled £4.134M leaving £11.117M still to spend.

Capital Movements		
Original Capital Programme		£11.400M
Slippage 2017/18	Slippage & accelerated expenditure from 2017/18	£515K
Quarter 1		
CCTV: Extension to White Lund Depot	Funded from Invest to Save Reserve (approved Cabinet 24 April 2018)	£53K
Car Park Improvements	External contribution to upper St.Leonardgate / Lodge Street car parks	£7K
Disabled Facilities Grants	Increase in grant funding allocation	£144K
Quarter 1 Movements		£204K
Quarter 2		
Vehicle Maintenance Unit	New ramp (approved under delegated authority)	£34K
SALC	Additional Enhancements (approved under delegated authority)	£150K
Wave Reflection Wall	Expenditure grossed up by additional grant from Environment Agency	£888K
Heysham Gateway	Expenditure grossed up by additional grant from Lancashire County Council	£8K
Bolton-Le-Sands	Young Peoples' Facilities - Cabinet member delegated decision	£15K
Coastal Revival Fund	Morecambe Co-op Building approved by Cabinet 3 July 2018	£37K
Canal Quarter	Potential land purchase approved by Council 18 July 2018	£2.000M
Quarter 2 Movements		£3.132M
Total Movements Q1 & Q2		£3.336M
Revised Capital Programme		£15.251M

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 September totalled £2.404M leaving £2.077M still to spend. However, latest projections have identified an

underspend of £222K including schemes funded by the HRA Business Support Reserve, which are requested to be slipped into 2019/20 as part of the revised budget process

Financing

General Fund

To date £3.560M of grants and contributions has been received against a budget of £6.328M (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 a vehicle.

RESERVES

Budget Support Reserve – Approved allocations are shown below, which leave a current balance of **£1.719M** on the reserve.

	£000's
Opening Balance	2,060
Items not included at Quarter 1	
Water Fountain Feasibility Study	(30)
Chief Officers Pay Review	(3)
Pay Scale Assimilation	(6)
Interim Human Resources Manager	(31)
Cabinet 26 th June Contribution re Heysham Pool (slipped from 2017/18)	(36)
Cabinet 26 th June ICT Information Governance Project	(37)
Quarter 2	
Cabinet 4 th September Programme Manager/Project Support	(126)
Cabinet 26 th September Interim Head of Financial Services	(38)
Officer Delegated Decisions in consultation with Cabinet Members	
Extension of Head of Legal & Democratic Services	(18)
Extension of Job Evaluation Officer	(16)
Closing Balance	£1,719

Restructuring Reserve – Approved allocation are shown below which leave a current balance of **£532K** on the reserve.

	£000's
Opening Balance	566
Cabinet 3 July – contribution re Executive Team Restructure	(34)
Closing Balance	532

General Fund Unallocated Balances

Unallocated General Fund Balances still stands 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 £247K (£94K deficit as at 31 March 2018). Main changes are:

- Deficit from previous year +£94K
- Reduced cost of Council Tax Support (£88K)
- Reduced charge for Second/Empty Homes +£80K
- Other Movements in Tax Base +£161K

In tax base terms this equates to approximately 138 net chargeable Band D equivalent properties, bringing the total tax base to 41,614 gross properties. Should the deficit remain then this would mean an additional cost to the General Fund of £32K in 2019/20

Retained Business Rates – The latest position on business rates shows net income down by £418K when compared to the original estimate, after allowing for a decrease in estimated appeals of £698K.

Overall, the total estimated Retained Income is £131K 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.

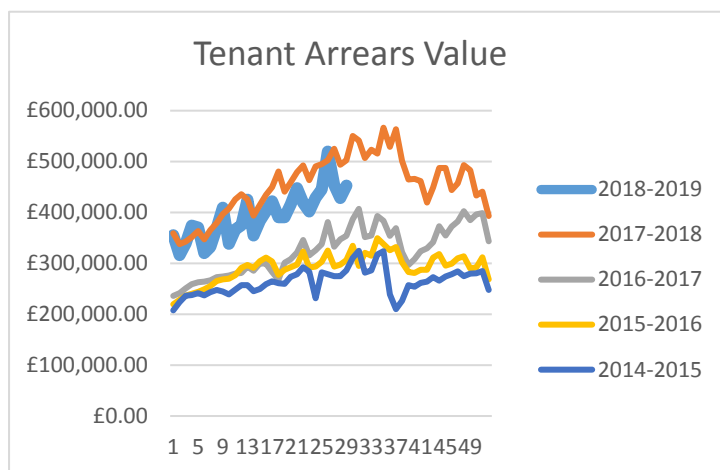
	Original £000's	June £000's	Sept £000's	Movement From Original Fav (-) / Adverse (+) £000's
Net Rates Payable	(64,487)	(65,398)	(64,767)	(280)
Appeals	3,123	4,132	3,821	698
Business Rates Income	(61,364)	(61,266)	(60,946)	418
City Council Retained Income (40%)	(24,546)	(24,506)	(24,378)	168
Less Tariff	18,848	18,848	18,848	-
Add Net Small Business Rates Relief Grant	(1,102)	(1,042)	(1,054)	48
Net Retained Income	(6,800)	(6,700)	(6,584)	216
Safety Net Payment	-	-	-	-
50% Levy Payment	616	589	531	(85)
Total Retained Income	(6,184)	(6,111)	(6,053)	131

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%	56.7	56.6
Business Rates	98.8%	55.4	54.3

INCOME COLLECTION



Council Housing Rent Arrears – At the end of week 26 the level of current council housing rent arrears was £520K (3.9% of £13.337M rent debit), An increase of £18K on the previous Qtr2 figure of £502K.

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 September the level of debt was £3.010M which is a decrease of £2.251m from Qtr1. However £1.751M of the debt from quarter 1 related to an invoice to Lancashire County Council for the 2018/19 Disabled Facilities Grant allocation, which was repaid on 13 July. Excluding this the decrease reduces to £500K

The bad debt provision currently stands at £2.548M which is £15K higher than the required level. No action is required at present but a further review of the provision will be made in February.

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 2 totals
	£	£	£	£	£	£	£	
Enviromental Services	87,181	37,832	23,213	293,147	10,435	14,184	465,991	736,444
Regeneration & Planning	2,689	12,218	3,600	-	23,719	10,840	53,066	34,842
Resources	200,423	40,049	53,666	66,280	30,702	52,332	443,453	474,879
Health & Housing	7,980	44,232	4,982	7,681	30,304	24,761	119,941	113,868
Governance	885	-	-	-	7	1,020	1,912	1,260
Hsg Benefits (Revenues)	52,434	16,747	24,308	130,743	154,984	1,546,534	1,925,750	2,092,020
2018/19 Quarter 2 Totals	351,592	151,079	109,769	497,851	250,150	1,649,672	3,010,113	3,453,313
2018/19 Quarter 1 Totals	2,238,073	345,878	599,821	162,042	324,153	1,591,149	5,261,115	

CONTRACT PROCEDURE RULES AND OTHER EXCEPTIONS TO TENDER

Exceptions to Tender – There were two exceptions to tender in Quarter 2:

Provision of Refugee Resettlement Services for Lancaster City Council. Working with Global link for this second round of resettlement services gives a consistent experience to the refugees. The added value is that Global Link offer is in line with the Councils obligations under The Public Services (Social Value) Act 2012.

Geographic Information Systems Software Licences. To change from our current provider ESRI Geographic Information Systems would require signification changes to the system and a large training requirement. Additionally ESRI have features not available with other GIS systems.