

# **FINANCE DIGEST 2014/15**

**Financial Monitoring at**

**Period 7**

**October 2014**

**Prepared By : Finance Shared Service**

**Date : 24th November 2014**

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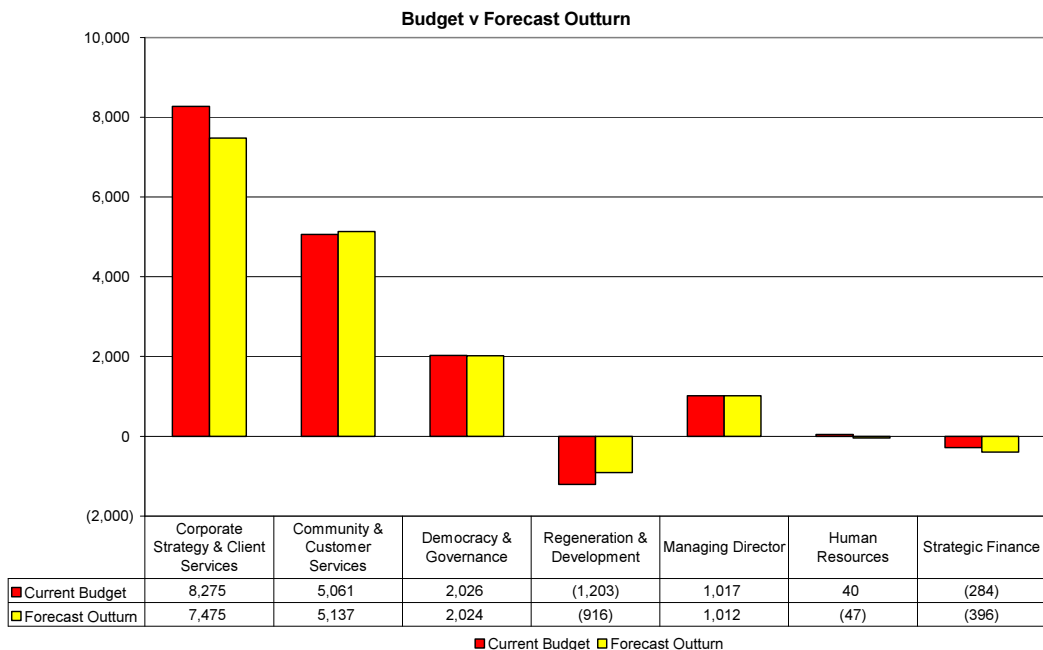
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## 1 Introduction

- 1.1 The monthly Finance Digest is the Council's key tool for monitoring the financial performance of the organisation. It is designed to be used by Members, officers and to provide an overview to our customers and residents.
- 1.2 It is essential that the Council monitors its budgets throughout the year to ensure that it is meeting its strategic objectives and that corrective action is taken where necessary.
- 1.3 This document shows the expected financial position at the end of the financial year, based on the actual performance at the end of October 2014 (Period 7).
- 1.4 This document brings together a range of information which ultimately impacts on the Council's financial performance. This includes budget monitoring and also financial performance indicators which will help the Council predict its position at the end of the financial year.

## 2 Revenue Budget – Net Expenditure

- 2.1 This section outlines the expected year end position for the Council's revenue budget. This takes into account both the expenditure incurred and the income received for the running of the day to day services e.g. waste collection, leisure and housing services.
- 2.2 The Council's current budget is £14,932,000. The forecast outcome for the end of the year, as at the end of October 2014 is £14,288,000. This results in a favourable variance (under spend) of £644,000 for the year. This is shown in the graph below and further details can be found in Appendix 1.



2.3 Further details on the variance are shown in the table below

	Current Budget	Forecast Outturn	Variance
Corporate Strategy & Client Services	8,275	7,475	800
Community & Customer Services	5,061	5,137	(76)
Democracy & Governance	2,026	2,024	3
Regeneration & Development	(1,203)	(916)	(287)
Managing Director	1,017	1,012	6
Human Resources	40	(47)	87
Strategic Finance	(284)	(396)	112
<b>Total</b>	<b>14,932</b>	<b>14,288</b>	<b>644</b>

2.4 The main reasons for the variance are outlined below:

*Favourable variances*

- £815,000 variance on the leisure contract,
- £87,000 variance on the corporate training costs
- £175,000 variance on planning application fee income
- £125,000 variance on utility savings

*Unfavourable variances*

- £40,000 variance on emergency accommodation for the homeless
- £37,000 variance on the consultancy costs for the Town Centre Model
- £42,000 variance on housing legal fees and management fees received
- £322,000 variance on commercial property income
- £100,000 variance on Economic Development projects and initiatives

### 3 Key variances identified in period 7

3.1 The key variances reported this month are as follows and more detail can be found in Appendix 2

*Favourable variances*

- Increased income from HCC for trees and verges -(£19,000)
- Budget adjustments in Corporate Strategy and Client services - (£44,000)
- Increased commercial rent income - (£92,000)
- Increase in planning application fees - (£175,000)
- Utility costs (£125,000)

*Unfavourable variances*

- Increased costs for waste and recycling - £45,000
- Cessation of administration fees in relation to the old market - £40,000
- Increases costs for ICT systems – Uniform and CRM - £17,000

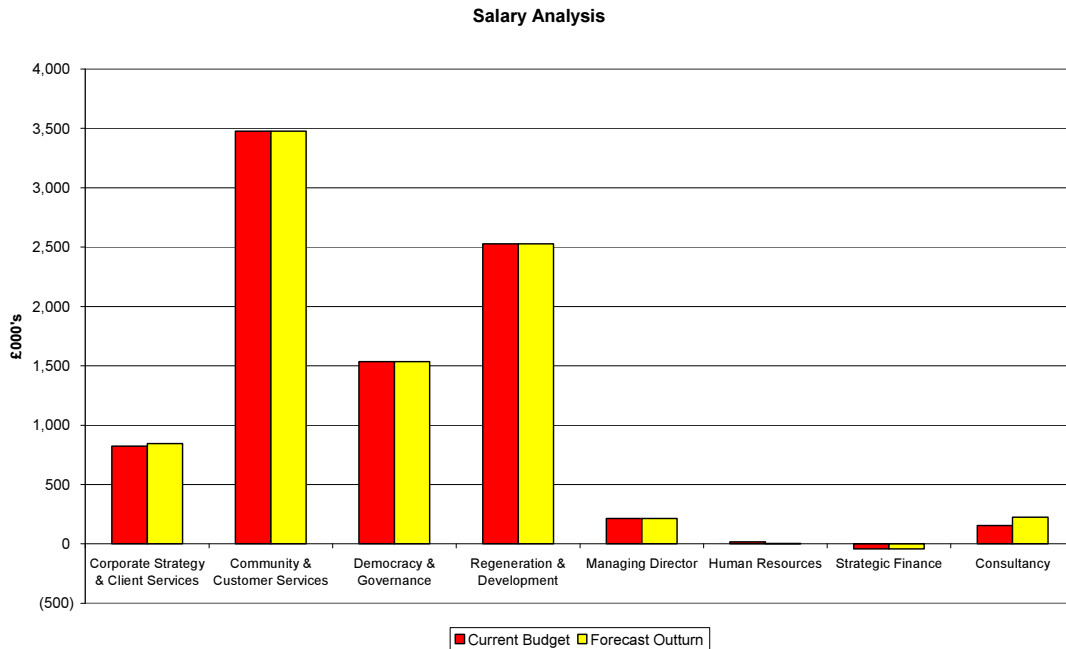
*Variances funded from reserves*

- Small Projects Fund - £20,000
- Business improvement District - £80,000

*Changes in funding*

- Business Rates forecast income has reduced - £375,000

3.2 One area which is kept under review is the salary analysis. The chart below shows the current estimated year end position. Further information can be found in Appendix 3. There is only one variance reported this month, but this reflects a change in how a service is delivered rather than an increase in the overall cost of the service.



## 4 Funding and Reserves

### *Funding*

- 4.1 The business rates projection continues to change as the Council gets better information to help predict the year end position. The current forecast has reduced the income being received from this funding source. However, it is anticipated that this position will change prior to the end of the year as changes are processed by the Valuation Office Agency.
- 4.2 Overall the Council's funding position compared to the current budget has not changed. This is due to changes in forecast outturn during the year. Full details of the current funding position can be seen in Appendix 4.

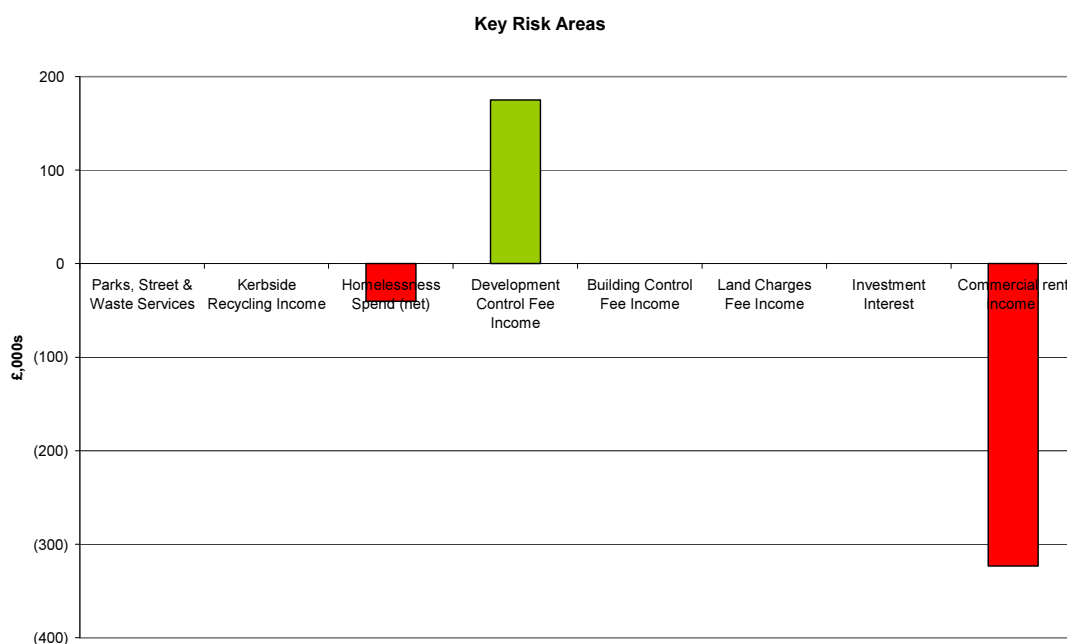
### *Reserves*

- 4.3 The Council's reserves position can be seen in the table below, and further details can be found in Appendix 6.

Description	Bal B/F as @ 1-Apr-2014 (Post Audit)	In year movement to Period 6	Movement his Month	Movement in Year	Forecast Bal as @ 31-Mar-2015
General Fund Working Balance (GFWB)	-1,350,000	0	0	0	-1,350,000
Capital Financing Reserve	-604,000	0	0	0	-604,000
Earmarked Reserves	-6,132,000	339,000	0	339,000	-5,793,000
General Reserves	-7,478,000	-443,360	114,170	-329,190	-7,807,190
<b>Total Reserves (incl GFWB)</b>	<b>-15,564,000</b>	<b>-104,360</b>	<b>114,170</b>	<b>9,810</b>	<b>-15,554,190</b>

## 5 Key Financial Risk Areas

5.1 The Council's budget is exposed to some key risk areas, these are generally areas of expenditure where the Council is not in control of the demand for that service, or where there have been income assumptions built into the budget. These risks are regularly monitored and the latest position is shown below. Further details can be found in Appendix 5.



5.2 This chart shows how the risk areas are currently performing. For those that are shown in red (below the line) are unfavourable variances and for those that are shown in green (above the line) are favourable variances.

5.3 The two service areas which are currently showing unfavourable variances are homelessness and also commercial rental income. The commercial rental position is showing an unfavourable variance of £322,000 however this has improved by £92,000 from £414,000 since period 6.

5.4 The planning application fee income has improved and is currently anticipated to exceed the budgeted income by £175,000 (favourable variance).

## 6 Debtors

- 6.1 The total outstanding debt as at 31 October 2014 was £1,118,619. This represents 13% of the total invoices raised during the year. Of the outstanding amount 61% (£684,044) is less than one month old and it is anticipated that this will be recovered. The total amount of debt outstanding is shown below. This identifies that 39% of the outstanding debt is over two months old. This represents 5% of the value of the debt raised during the year. However £312,974 (28% of the outstanding value) relates to previous years.

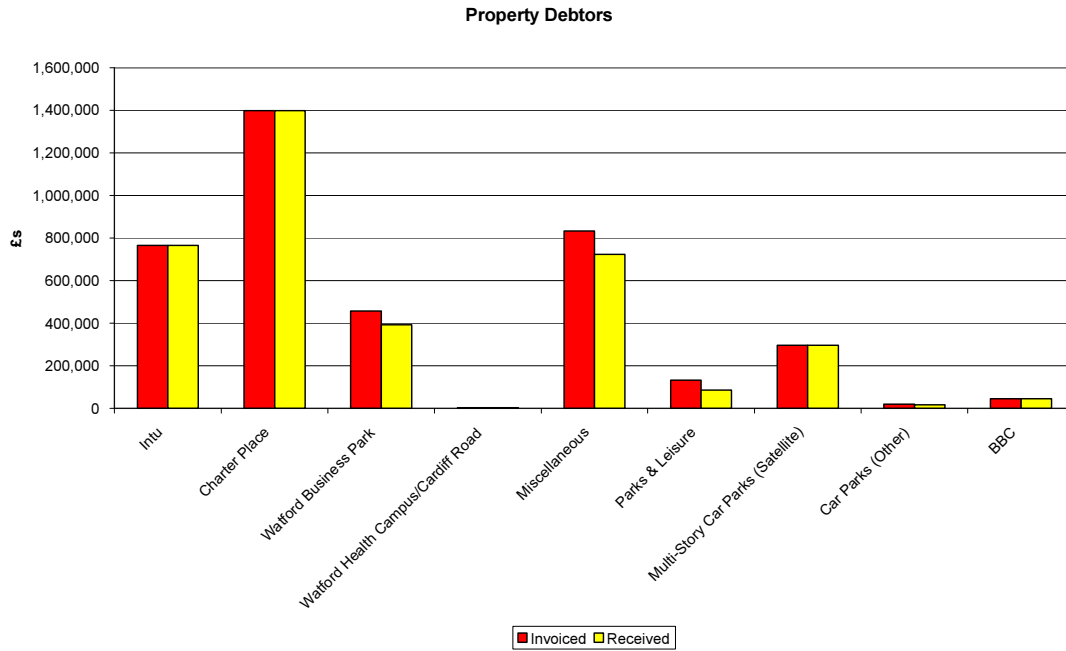
Invoices Raised from 1st April 2014 to 31st October 2014										
Service Area	No. of Invoices	Value of Invoices	Invoices outstanding by age of debt						instalment plan	Grand Total
			0 - 1 month	2 - 3 months	4 - 6 months	7 - 9 months	10 - 12 months	over 12 months		
		£	£	£	£	£	£	£	£	
Community Services	185	273,166	234,361	4,366	4,431	5,839	8,227	7,793	380	265,397
Corporate Management	3	3,420	0	1,140	2,280	0	0	0	0	3,420
Corporate Services	6	34,616	29,621	0	125	0	0	0	0	29,746
Democracy and Governance	2	1,029	0	0	0	1,000	0	0	0	1,000
Environmental Services	115	60,063	5,058	247	5,795	4,740	1,675	34,471	0	51,986
Finance	49	123,788	83,892	22,174	0	0	70	17,041	0	123,176
Housing	40	27,155	0	0	0	0	0	24,948	0	24,948
Human Resources - Standard	1	56	56	0	0	0	0	0	0	56
Legal and Property	233	448,592	147,551	53,348	16,860	24,889	34,572	125,949	0	403,169
Regeneration and Development	35	201,014	183,131	9,000	570	558	7,593	0	0	200,852
Revenues recovery Charges	308	14,965	375	300	585	1,530	1,310	10,769	0	14,869
<b>Grand Total</b>	<b>977</b>	<b>1,187,864</b>	<b>684,044</b>	<b>90,576</b>	<b>30,645</b>	<b>38,556</b>	<b>53,448</b>	<b>220,970</b>	<b>380</b>	<b>1,118,619</b>

### Commercial Property rents

- 6.2 The commercial rent portfolio forms a large part of the Council's total income and it is important that the Council closely monitors this income stream. A detailed breakdown is included in the table below.

	Budget for 2014/5	Invoiced to 31/10/2014	Received to 31/10/2014	Forecast Outturn	Forecast Variance
AREA/Zone/Site	£	£	£	£	£
Intu	(1,300,000)	(766,055)	(766,055)	(949,300)	350,700
Charter Place	(2,115,100)	(1,399,104)	(1,399,104)	(2,105,000)	10,100
Watford Business Park	(768,000)	(456,662)	(393,344)	(697,800)	70,200
Watford Health Campus/Cardiff Road	(110,000)	(3,945)	(3,945)	(56,000)	54,000
Miscellaneous	(1,093,950)	(833,672)	(724,576)	(1,240,950)	(147,000)
Parks & Leisure	(174,820)	(132,532)	(87,222)	(178,220)	(3,400)
Multi-Story Car Parks (Satellite)	(930,730)	(296,601)	(296,601)	(943,000)	(12,270)
Car Parks (Other)	(24,160)	(20,782)	(18,095)	(24,160)	0
BBC	(61,000)	(45,750)	(45,750)	(61,000)	0
<b>Total</b>	<b>(6,577,760)</b>	<b>(3,955,103)</b>	<b>(3,734,692)</b>	<b>(6,255,430)</b>	<b>322,330</b>

- 6.3 The chart below shows the value of the rent invoiced compared to the rent received for commercial properties. This shows that 94.4% of the rent that has been invoiced in 2014/15 has been received. A more detailed analysis of the outstanding debt can be seen in section Appendix 9.



## 7 Creditors

- 7.1 The Council has paid 98.5% of undisputed invoices within 30 days. Under government legislation, invoices not paid within 30 days are subject to interest charges (excluding those that are in dispute). To date the Council has not incurred any interest charges.
- 7.2 A breakdown of payments by department at period 7 is shown in the table below.

Service Area	Monthly Undisputed Invoices Paid	Late Payments	Payments On Time	% Payments On Time Period 7	% Payments On Time YTD
Corporate Strategy & Client Services	49	1	48	97.96	99.09
Community & Customer Services	119	0	119	100.00	99.10
Democracy & Governance	194	2	192	98.97	98.24
Regeneration & Development	90	0	90	100.00	99.37
Managing Director	1	0	1	100.00	95.00
Shared Services	27	0	27	100.00	95.60
<b>Total</b>	<b>480</b>	<b>3</b>	<b>477</b>	<b>99.38</b>	<b>98.50</b>

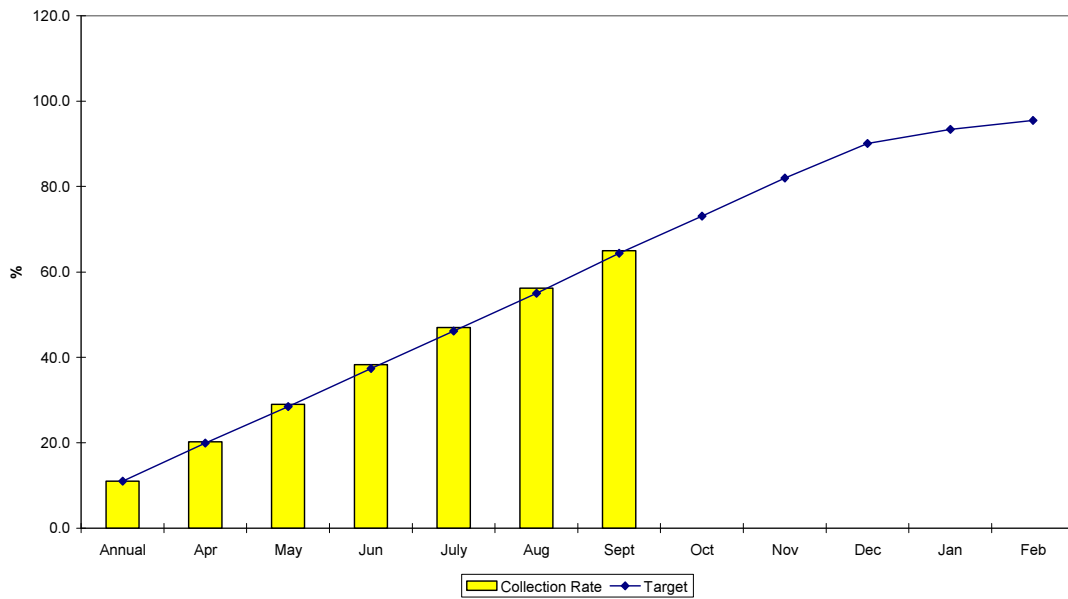
- 7.3 The number of payments made by BACS for the month was 97.6%, and for the year to date is 98.54%. This is against a target of 90%.

## 8 Council Tax and Business Rates Collection

- 8.1 The Council's performance in the collection of Council Tax can be seen in the graph below. This shows that the collection rates for the year are slightly better than the profiled target.



**Council Tax Collection Rates**



8.2 The Council's performance in relation to business rates is shown below. The graph indicates that the performance is behind target. However, some of this will be due to the target being profiled on previous years cash collection and this year businesses have been allowed to elect to pay business rates over 12 months. This has impacted on our profile.

**Business Rates Income Collection**

