

**REVENUE BUDGET – PERIOD 9 SUMMARY FINANCIAL REPORT 2014/15  
(1 October 2014 to 31 December 2014)**

**EXECUTIVE MEMBER:** Cllr Gillian Troughton,  
**LEAD OFFICER:** Angela George – Interim Finance Manager (s151 officer)  
**REPORT AUTHOR:** David Christie – Interim Financial Management and  
Treasury Accountant

**Summary:**

This quarterly financial report is to update Executive on:-

- the work undertaken since quarter 2 with budget managers,
- the performance of our funding and income streams,
- an estimated outturn forecast against the current approved 2014/15 budget, based on the financial position for the 9 month period to 31 December 2014.

It identifies key risks to the delivery of the Council's budget and highlights performance to date.

**Recommendations:**

The Executive is asked to;

- (i) Note the approved net current revenue budget of £11,299m as set out in Paragraph 1.4
- (ii) Note that at Quarter 3, in year savings identified as part of a full review of base budgets has identified a forecast in year saving of £703k, allocated as follows:
  - £16k against one off earmarked reserves for project work and initiatives
  - £487k against general fund
  - £200k savings target to support the Working Differently Capital programme
- (iii) Note that of the in year savings identified, £459k of those savings have been identified as a permanent reduction in base budgets, and will reduce the base budget required for 2015/16 onwards.
- (iv) Note the risks to the budget as detailed in section 4.
- (v) Note the decision taken by the Chief Financial Officer (s151), to write off outstanding debts totalling £252k as set out in paragraphs 2.1 to 2.4 of **Appendix B**, and two write offs for insolvency exceeding £50k, as outlined in paragraphs 2.2 and 2.5 of Appendix B.

## 1 INTRODUCTION

1.1 In accordance with Council's Financial Regulations;

- The Chief Financial Officer (s151) is required to report to the Executive on the overall budget position, and the monitoring and control of expenditure against budget allocations.
- It is the responsibility of the Corporate Leadership Team (CLT) and individual budget managers to control income and expenditure within their service areas and to monitor performance.

1.2 All the figures and explanations in this report have been provided by the relevant budget managers.

1.3 In this report figures within brackets denote budget savings, favourable variances or income figures.

1.4 The Council approved its 2014/15 revenue budget of £10,511m in February 2014, which included savings to be made of £662k. Subsequently amendments to the budget including carry forwards and further amounts released from ear marked reserves have been approved, bringing the total revenue budget for 2014/15 as at 31 December to £11,299m.

1.5 The budget of £11,299m includes:

- Earmarked reserves of £608k, with forecast usage being £592k in year, resulting in an underspend of £16k
- Carry forwards to the value of £572k which are forecast to spend in full in year.

1.6 The 2014/15 net expenditure budget; and funding forecast is summarised at **Appendix A**.

## 2. FORECAST BUDGET POSITION AS AT QUARTER 3 – OCTOBER TO DECEMBER 2014

2.1 The forecast position derived from the budget model, as at quarter 3, is an in year saving against the current approved budget of £703k and is analysed as primarily on the following cost centres:

**Table 1 – Significant forecast underspends (see also Appendix C)**

<b>Forecast variances in excess of £20k (+ or -)</b>	<b>£</b>	<b>Notes</b>
Accommodation (within Corp Mgt)	(200,000)	1
North Country Leisure (buildings)	(100,000)	2
Public Buildings general	(100,000)	3
Strategic Housing	(48,604)	4
NCL Contract	32,000	5
Communications	(21,700)	6
Democratic and Election Services	(21,086)	7
Legal Services	(32,679)	8
Parks and Open Spaces	(68,542)	9
Departments with variances less than £20 k (+ or -)	(142,117)	
<b>Net forecast underspend at Period 9</b>	<b>(702,728)</b>	10

Notes:

- 1 This represents the planned level of revenue savings to support the Working Differently Capital programme (see also Recommendation (ii) in this report).

- 2 ; 3 Planned and reactive maintenance lower than plan due to departmental capacity, general lower spend (further details in previous Exec report, 25 Nov). May result in commitments / carry forward requests into 2015/16 (part of Departmental underspend of £206,195).
  - 4 Predominantly Homelessness budget (£32,154) underspend - a number of small underspends within this cost centre relating to repairs, fitting that have not been required to date. Also, Private Sector Housing Renewal (£19,200) underspend due to vacancy / lower salary costs.
  - 5 North County Leisure – operating income down as detailed in paragraph 4.1
  - 6 Vacancy for period to date, partly offset by some interim cover
  - 7 Actual spend slightly different from original budget – no particular area as spending made up of many smaller payments (represents a 3% underspend on budget this year.
  - 8 Mostly higher licensing income forecast (£26,736), with remainder being range of small pay underspends.
  - 9 Improved performance on income generated for work done (approx. £30k favourable); Crematorium fees higher than anticipated (£12k favourable). Remainder being general underspends/higher income.
  - 10 Following the round of budget challenge meetings in November, £459k of these savings taken as permanent reduction moving in to 2015/16 base budget.
- 2.2 The forecast position outlined at 2.1 is further broken down at **Appendix C**. The Appendix has been summarised at both:
- Corporate Team; and
    - Departmental Level

### **3 LOCALLY RAISED FUNDING**

#### **3.1 NNDR collection Data**

The % collection rate is marginally lower than quarter 3 last year at 94.53%, 87.52% excluding major rate payer (against 95.99% in 2013/14, 88.90% excl. major rate payer) but are still on target, as discussed more fully in Corporate Plan Performance paper presented elsewhere on this agenda, with monies collected standing at £41.6m (£40.8m in 2013/14).

#### **3.2 Council Tax Collection Data**

The % collection rate is consistent with quarter 3 last year at 86.35% (against 86.36% in 2013/14), with monies collected standing at £27.5m (£27.0m in 2013/14), but again on target for the year.

### **4 RISKS**

#### **4.1 Achievement of Planned Savings 2014/15**

Council approved actions resulting in savings of £662k for the year 2014/15 and the budget was reduced to reflect these.

There are risks involved in the delivery of any plan; accordingly the Delivering Differently Project Board regularly monitors the RAG (Red/ Amber/Green) status of these savings.

Progress on delivering the savings is generally good with the majority of the proposals now being delivered and the projects closed. Although not all of the options put forward realised a saving, savings in excess of those required have already been secured.

Any of the additional savings that have been made and that are sustainable will also be removed from 2015/16 budget going forward. Those savings targets for 2014/15 that are significant to the budget position which are not yet delivered, and at Q3 are considered to be at risk, are detailed in Table 2 below:

**Table 2 – RAG for planned savings**

<b>Description</b>	<b>Responsible Officer</b>	<b>Saving to be met</b>	<b>Forecast saving as at Pd6</b>	<b>Forecast shortfall as at Pd6</b>	<b>RAG Rating</b>
REDUCE NCL costs	Head of Copeland Services	- 7,000	-	32,000	Red

The delay in the opening of the new gym facility at the pool will impact on the cost of the leisure contract for this year, with additional costs estimated to be circa £30k (as net operating income will be lower), these costs are included in the current forecast.

#### 4.2 Monitoring of High Risk Budgets

There are a number of high risk budgets that are considered more volatile in terms of spend profiles than others – for example: car parking income; property expenditure. These budgets are monitored more closely to ensure budgets are realistic.

### 5 MANAGEMENT COMMENTS / ACTION TAKEN TO DATE

- 5.1 The extensive work carried out in quarter 2, including a series of budget forecast meetings held between budget managers and members of CLT resulted in some in revised year savings being forecast as well as any pressures. These identified savings and pressures resulted in a round of further budget realignments at that point in time.
- 5.2 Subsequent revisions to forecast to the end of quarter 3 have in general reflected further projected underspends / additional income in a range of areas. This has contributed to a number of favourable variances of relatively low individual level. The aggregate value of these is included at Table 1 (variances less than £20k).
- 5.3 The outcome of this work will also be incorporated into the base budgets for 2015/16 which Council will set in February 2015, and the exercise will be repeated at outturn, to further update the 2015/16 budget. Quarter 3 results would indicate an increased likelihood of a favourable revenue outturn position, representing savings that would be taken in 2015/16.
- 5.4 The Executive meeting of 8 January 2015 agreed that continued efforts should be made to ensure projected in year savings are made, and maximised to assist the financial position moving forward.

- 5.5 Property Maintenance budgets remain an area that continues to indicate a low level of expenditure compared to forecast. Further background to this position was provided in the corresponding Quarter 2 report (25 November). We will continue to monitor these budgets very closely and additional controls have been put in place within the Team to keep track of progress at a more detailed level. It is likely that, given the planned nature of large elements of these budgets, a carry forward request for 2015/16 resources may result.
- 5.6 We continue to experience in year savings due to staff vacancies, with CLT actively managing these where possible, in line with resource issues identified in the performance reports. However we have experienced difficulty in recruiting to some posts, again this is another area which is susceptible to change as the availability of staff is often out with direct control of the authority. It is intended to adjust 2015/16 budget through a savings target to reflect this pattern of recruitment.
- 5.7 The remaining net expenditure required to align with the forecast to the year end is £3.2m, representing 28% of the overall approved budget still to spend. Spending patterns will be closely monitored in the remaining periods of the financial year to ensure that resources are applied where necessary, and to minimise any potential year end adjustments.

## **6 WRITE OFFS**

- 6.1 Debts totalling £252k have been written off by the Chief Financial Officer in quarter 3, Members are asked to review Appendix B and formally approve these.

## **7 CONCLUSION**

- 7.1 The spending forecast at period 9 is an in year saving of £703k against the current approved revenue budget of £11,299m, as detailed in Appendix A.

## **8 RESOURCE REQUIREMENTS**

- 8.1 This report details the financial and resources requirements relating to the council's current budget and policy framework and provides a commentary of current performance.

## **9 STATUTORY OFFICER COMMENTS**

- 9.1 The Monitoring Officer's comments are:
- 9.2 The Section 151 Officer's comments are: Contained within this report
- 9.3 EIA Comment: EIA completed as part of the budget setting process in February 2013
- 9.4 Policy Framework: In accordance with MTFS approved in February 2014.
- 9.5 Other consultee comments, if any: CLT have considered this report.

**10 HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?**

- 10.1 There remains the risk that some budgets are more susceptible to change than others, as the supply or demand is often out with direct control of the authority.
- 10.2 The budget monitoring process is carried out on a monthly basis. Management and finance staff work together to ensure financial reports are accurate and timely to assist the decision making process of the Council as a whole.
- 10.3 Budgets are monitored during the year with exceptions reported monthly through Corporate Leadership Team and to Executive on a quarterly basis. At the year- end, the draft outturn prior to the external audit process must be reported formally. It is also good financial practice to report the year-end position on revenue reserves as a consequence of the outturn.

**11 WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?**

- 11.1 The measurement of revenue budget position for 2014/15 is key to determining the required use of reserves for the year and the level of general and earmarked reserves the Council will have available to support its revenue budget in future years.
- 11.2 Spending areas that vary significantly from the approved budget are also identified, which can then be fed into the budget planning process to enable informed decisions on changes to the Council's budget to be made.

**List of Appendices**

**Appendix A** – Budget and Forecast : Net expenditure / Funding summary

**Appendix B** - Debt Action report

**Appendix C** - Expenditure to date / Forecast net expenditure summaries (Corporate/Departmental)

## REVENUE BUDGET

### PERIOD 9 SUMMARY FINANCIAL REPORT (1st December 2014 to 31st December 2014)

#### APPENDIX A

Department	Original Budget 27 Feb 2014	Amended 27 May 2014 (includes cfwds)	Changes period 1-12	Current Approved Budget	Actual spend	14/15 Forecast as at Period 9	Forecast Variance to Budget as at Period 9
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	2,315	77	280	2,672	1,583	2,392	(280)
Copeland Services	2,361	72	21	2,454	1,761	2,350	(104)
Customer & Community Services	1,315	154	23	1,492	759	1,461	(31)
Economic Growth	457	91	17	565	154	538	(27)
Resources & Strategic Commissioning	4,063	274	(221)	4,116	3,120	3,855	(261)
<b>Total</b>	<b>10,511</b>	<b>668</b>	<b>120</b>	<b>11,299</b>	<b>7,377</b>	<b>10,596</b>	<b>(703)</b>
<b>Funding</b>							
RSG	2,513	0	0	2,513		2,513	0
Baseline need	2,081	0	0	2,081		2,081	0
New homes bonus	472	0	0	472		472	0
PFI Grant	837	0	0	837		837	0
Council Tax	3,666	0	0	3,666		3,666	0
Collection Fund Surplus	37	0	0	37		37	0
Specific Grants	17	0	0	17		17	0
BEC Social Fund	400	0	0	400		400	0
Earmarked Reserves	275	213	120	608		592	(16)
General Fund Reserves	213	455	0	668		(19)	(687)
<b>Total</b>	<b>10,511</b>	<b>668</b>	<b>120</b>	<b>11,299</b>	<b>0</b>	<b>10,596</b>	<b>(703)</b>

## **APPENDIX B – DEBT ACTION 2014/15**

It is good practice to write off debts that are irrecoverable and all write offs must be approved in accordance with the Council's Scheme of Delegation and be reported in summary to Executive.

This is the report from 1<sup>st</sup> October 2014 to 31<sup>st</sup> December 2014 and details the write off of debt totalling £252,279 for those three months, as set out in Paragraphs 2.1 to 2.4, bringing the year to date write offs to a total of £494,077 (including a revised total for Q2, outlined below)

### **1 SCHEME OF DELEGATION**

1.1 Under the Council's Scheme of Delegation, the following limits for write offs apply:-

- Chief Financial Officer (s151) – authorised to write off debts due to the Council not exceeding £50,000, and unlimited in respect of liquidations.

Once write offs are approved, a summary must be reported to Executive, this Appendix is that summary.

- Executive must authorise all write offs above £50,000 (excluding liquidations).

### **2 DEBT ACTION THIS QUARTER**

2.1 £35k of the total debt written off for quarter 3 in this appendix has been authorised by the Chief Financial Officer, as they are all below £50,000 in value.

2.2 The remaining £217k relates to a write off over £50,000 in value. This is due to the liquidation of a limited company.

2.3 With respect to overall reasons for write off, £232k[1] is being written off in respect of debts where the debtor is bankrupt or the company dissolved. The number of accounts written off for this reason is 27 this period and a total of 67 in year (compared to 92 during the whole of the Financial Year 2013/14).

2.4 The remaining balance of £20k[2] is being written off for a variety of reasons including:

- the debtor has absconded without trace or
- the debtor has died without any estate or
- the debt is uneconomical to pursue

[1]+[2]=total of column 2 at Para 3.2

2.5 A further write off over £50,000 in value is also included in the revised total for Quarter 2. The amount of write off is £156k and is due to the liquidation of a limited company.



### 3 DEBT ACTION THIS YEAR 2014/15

3.1 A summary of the position in year (2014/15)

Type of Charge	Number of Accounts 1.04.14 to 31.12.14	Amount Written Off 1.04.14 to 31.12.14
Council Tax	67	23,314
National Non Domestic Rates	61	419,766
Housing Benefit Overpayments	115	46,723
Sundry Debt	14	4,274
<b>Total</b>	<b>257</b>	<b>494,077</b>

○ Includes revised Q2 total, reflecting >£50k item (Para 2.5)

3.2 Analysis of type of debt written off in quarter 3 2014/15 and total 2013/14

Type of Charge	Number of Accounts 01.10.14 to 31.12.14	Amount Written Off 01.10.14 to 31.12.14	Number of Accounts for whole of 2013/14	Amount Written Off for whole of 2013/14
Council Tax	35	8,821	144	57,206
National Non Domestic Rates	48	227,009	12	31,417
Housing Benefit Overpayments	41	15,171	105	21,507
Sundry Debt	4	1,277	61	18,582
<b>Total</b>	<b>128</b>	<b>252,279</b>	<b>322</b>	<b>128,712</b>

### 4 FINANCIAL IMPACT ON COUNCIL

4.1 Of the amount approved for write off the Council bears a different proportion depending on the type of debt as set out below:-

- i. Debts in respect of NNDR fall on the Collection Fund, of which any surplus or deficit is shared by the relevant authorities in the ratio of their precepts on the Collection Fund. This ratio would mean the amount of debt falling to Copeland Borough Council would be 40% or circa £168k to date, subject to a safety net payment limiting our overall loss on NNDR to £168k in 2014/15.
- ii. Debts in respect of Council Tax total fall on the Collection Fund, of which any surplus or deficit is shared by the relevant authorities in the ratio of their precepts on the Collection Fund in the previous year. This ratio for 2014/15 could mean that the amount of debt falling to Copeland Borough Council would be c. 12%, or £2,798 to date.

- iii. Debt in respect of housing benefit overpayments that would fall on the Council depends on the level of write off in proportion to the subsidy. It is likely, considering previous experience, that the impact on the Council may be minimal. Bad debt write-offs in respect of housing benefit overpayments are charged to the housing benefits cost centre.
- iv. Write-offs in respect of sundry debts are wholly charged back to the service cost centre which received the benefit of the debtor income when it was originally raised.

## **5 CURRENT DEBT MANAGEMENT ARRANGEMENTS**

### **5.1 Recovery**

The recovery of: Council Tax arrears, National Non Domestic Rates arrears, Housing Benefit Overpayments and Sundry Debts are all handled differently as Legislation dictates. However, in all cases reminders are issued within 6 weeks of the payment becoming due, and where a Liability Order is obtained from the Magistrates Court and no contact has been made with the Recovery Section to make an agreement to pay the case will be issued to a bailiff for collection a month after the Order has been granted.

### **5.2 Insolvency**

There are various forms of insolvency, depending upon the type of business concerned. For companies, there are voluntary or compulsory liquidations, administration orders and receiverships. For individual traders there is bankruptcy.

When an individual or a company becomes insolvent a liquidator or trustee is appointed to distribute any assets amongst the creditors. Assets are applied first to the expenses of the liquidation, second in meeting preferential debts, and third, in payment of general creditors or unsecured debts, examples of which are Council Tax and NNDR.

The Council is debarred from pursuing normal methods of recovery, such as distress, in cases of insolvency, and so must write-off the debt as irrecoverable. Any subsequent dividends paid in respect of outstanding Council Tax and NNDR are dealt with by re-debiting the appropriate rate account with a corresponding sum.

Some businesses also cease trading without formal insolvency procedures being undertaken. Their debts are written off if they have no assets.

### **5.3 Absconded debtors**

All cases submitted for write-off have been returned by the Council's bailiffs as 'Gone Away – Unable to Trace'. In addition, where appropriate, the following checks are undertaken when attempting to trace an absconded ratepayer: -

- (a) local enquiries are made by the Council's Visiting Inspector.
- (b) checks are made with internal records, such as Council Tax, Benefits and Electoral Registration.

- (c) enquiries, although heavily restricted by Data Protection legislation, may be made with other utilities, e.g. water, electricity, gas, B.T.
- (d) estate agents, solicitors, managing agents may be contacted.
- (e) various other avenues may be followed, such as contact with ex-landlords, family, ex-employers, other local authorities etc.

Such requests for information are made on a voluntary basis only, there being no requirement for respondents to supply the Council with information.

All the cases listed are ceased accounts whose liability has been ended.

#### 5.4 Deceased debtors

Bills for outstanding Council Tax or NNDR are sent to the Executors of deceased persons, but the Council Tax and NNDR regulations prevent the Council from pursuing recovery through the Magistrates Court in cases of non-payment. Cases are therefore put forward for write off and will include cases where the debtor has died leaving no assets.

#### 5.5 Recommendation for write off

Approving recommendations to write-off bad debts is an internal accounting decision based on recommended good practice.

**The debtor is still liable for the amount outstanding and recovery action can be resumed if circumstances change.**

**APPENDIX C**

**Expenditure to date / Forecast net expenditure summaries (Corporate/Departmental)**

Variances:  
(Favourable)/Adverse

<b>1</b>	<b>Budget Responsibility - Corporate Level</b>	<b>Current Approved Budget 14/15</b>	<b>Current Net Expenditure</b>	<b>Revised Projection</b>	<b>Revised forecast Y/E Variance</b>
C	Chief Executive	2,672,428	1,582,627	2,392,475	(279,953)
DR	Director of Resources and Commissioning	4,116,156	3,120,259	3,855,188	(260,968)
DE	Director of Economic Growth	565,071	153,964	538,300	(26,771)
HCS	Head of Copeland Services	2,454,047	1,761,331	2,350,063	(103,984)
HCC	Head of Customer and Community Services	1,491,537	758,900	1,460,485	(31,052)
	<b>TOTALS</b>	<b>11,299,239</b>	<b>7,377,081</b>	<b>10,596,511</b>	<b>(702,728)</b>

<b>2</b>	<b>Budget Responsibility - Departmental level</b>	<b>Current Approved Budget 14/15</b>	<b>Current Net Expenditure</b>	<b>Revised Projection</b>	<b>Revised forecast Y/E Variance</b>
C	Chief Executive Total	1,193,645	692,861	985,259	(208,386)
C	Communications Total	98,770	51,316	77,070	(21,700)
C	Democratic & Election Services Total	697,343	460,887	676,257	(21,086)
C	Human Resources Total	294,507	160,632	280,086	(14,421)
C	Policy & Transformation Total	388,163	216,932	373,803	(14,360)
DR	Audit Department Total	106,705	50,080	106,705	0
DR	Financial Services Total	941,173	880,351	927,537	(13,636)
DR	ICT/MIS Total	436,443	417,385	436,314	(129)
DR	Legal Services Total	(24,105)	(118,646)	(56,784)	(32,679)
DR	Procurement Total	37,946	11,388	37,946	0
DR	Property Services Total	2,136,958	799,862	1,930,763	(206,195)
DR	Resources & Strategic Commissioning Total	103,194	57,393	94,392	(8,802)
DR	Revenue's & Benefits Shared Service Total	377,842	1,022,445	378,315	473
DE	Building Control Total	54,993	31,391	49,702	(5,291)
DE	Development Control Total	(42,417)	(63,106)	(41,729)	688
DE	Economic Development Total	198,797	217,175	186,257	(12,540)
DE	Economic Growth Total	99,075	20,680	99,075	0
DE	Nuclear Total	54,100	(164,987)	54,246	146
DE	Strategic Planning Total	200,523	112,811	190,749	(9,774)
HCS	Copeland Services Total	158,348	109,711	150,695	(7,653)
HCS	Environmental Health Total	681,464	518,416	663,415	(18,049)
HCS	Parks & Open Spaces Total	(22,753)	(170,337)	(91,295)	(68,542)
HCS	Waste Management & Enforcement Total	1,636,988	1,303,541	1,627,248	(9,740)
HCC	Beacon Museum Total	117,522	69,186	107,053	(10,469)
HCC	Copeland Community Fund Total	0	(71,424)	0	0
HCC	Customer and Community Services Total	97,688	5,150	97,688	0
HCC	Customer Services Total	392,814	266,280	388,835	(3,979)
HCC	Leisure Management Contract Total	383,947	264,830	415,947	32,000
HCC	Strategic Housing Total	499,566	224,878	450,962	(48,604)
	<b>TOTALS</b>	<b>11,299,239</b>	<b>7,377,081</b>	<b>10,596,511</b>	<b>(702,728)</b>