

**CAPITAL BUDGET – QUARTER 3 SUMMARY FINANCIAL REPORT 2014/15
(1 October 2014 to 31 December 2014)**

EXECUTIVE MEMBER: Councillor Gillian Troughton
LEAD OFFICER: Angela George, Interim Finance Manager (S151 Officer)
REPORT AUTHOR: Leanne Barwise - Senior Accounting Officer

WHY HAS THIS REPORT COME TO THE EXECUTIVE?

This report details the progress on delivering the projects in the agreed 2014/15 capital programme and provides the capital spend and estimated outturn forecast based on the financial position for the 9 month period to 31 December 2014.

RECOMMENDATIONS:

- I. Note the approved gross capital budget of £3,596,269, £1,162,649 of which is funded by external income to give a net current capital budget of £2,433,620.
- II. Note the total anticipated capital spend in the year to 31 March 2015 is £2,644,521 (compared to £2.86m at Q2) with forecast external income of £1,019,361 to give a net forecast of £1,625,160.
- III. Note the forecast year-end variance on the overall Capital Programme 2014/15 is a gross underspend of £952k at 31 December 2014. It is expected that the majority of this underspend will need to be carried forward to complete projects in 2015/16.
- IV. Note the position as at 31 December 2014 (Quarter 3) of capital receipts for 2014/15 as set out in paragraph 6.

1. INTRODUCTION

- 1.1. This report provides the monitoring of the capital programme 2014/15 both in terms of capital expenditure and capital income, ensuring that anticipated expenditure is in line with budget; and that the whole capital programme is fully funded, either from external contributions or through use of our own resources (i.e. capital receipts – receipts from the sale of assets).
- 1.2. This report provides the actual expenditure position to 31 December 2014 and an expected expenditure position for the next three months to give the total forecast outturn (final) position at the financial year-end.
- 1.3. The monitoring of the capital programme is undertaken and reported to CLT monthly and Executive on a quarterly basis.

2. REVISIONS TO THE CAPITAL PROGRAMME 2014/15

- 2.1. The original Capital programme for 2014/15 of £1,340,000 was approved by Council on 13 February 2014.
- 2.2. Since the original budget approval the budget carry forwards were approved at Council on 19 June 2014 to give a revised gross Capital Programme budget of £3,596,269.
- 2.3. A £22k addition to the capital programme (in excess of £3.6m budget reported above) was approved at Executive on 27 May 2014 relating to ventilation/extraction of exhaust fumes at the Moresby Depot

but is not at this stage reflected in the budget figures. An assessment at a cost of £3k to ascertain the impact of diesel engine exhaust emissions from vehicles parking within the Moresby Parks depot will be completed late January 2015. Should this assessment identify a need, the project would then be added to the Capital Programme to allow the installation of a suitable ventilation/extraction system at a further cost of £19k to manage the emissions.

3. EXPENDITURE TO DATE AND FORECAST YEAR END POSITION

3.1 At quarter 3 the gross capital programme expenditure **budget** for 2014/15 is £3,596,269 as detailed above.

3.2 External capital income **budget** totals £1,162,649 and consisting of:

- £261,000 - Disabled Facilities Grants
- £96,947 – St Bees Play Area
- £400,000 – Whitehaven THI
- £401,702 – Copeland Pool
- £3,000 – Mount Pleasant

This gives a net capital programme **budget** of £2,433,620 as shown in Table A in Appendix A.

3.3 The forecast **expenditure** position at 31 December 2014 for financial year 2014/15 is gross capital expenditure of £2,644,521. Actual spend at quarter 3 amounts to £1,644,461 with £1,000,060 (38%) forecast to be spent in the next three months of the year.

3.4 The gross income budget is £1,162,649 but the actual income received as at 31 December 2014 for financial year 2014/15 is £486,795; £276k from DCLG towards the provision of Disabled Facilities Grants (£15k more than originally budgeted), £135k from Sport England in relation to the fitness extension at Copeland Pool, £45k in relation to the Whitehaven THI, £30k in relation to repayment of Disabled Facilities Grants from property sales and £1k for St Bees Play Area. The remaining external income of £533k forecasted for receipt in 2014/15 is expected to be claimed from the external funders within the financial year, subject to spending patterns on each project.

3.5 This results in forecast favourable variance against budget of £808,460 (Gross Expenditure variance - £951,748 + gross income variance £143,288 = £808,460) as detailed in Table A at Appendix A.

4. PROJECT UPDATES FROM PROJECT MANAGERS AS AT 31 DECEMBER 2014

4.1 Copeland Pool Fitness Extension – In year budget £665k –The new fitness extension at Copeland pool was officially opened on 4th December 2014 and except for external planting which will be addressed in the spring, the project is fully completed. The facility has 35 fitness stations, plus a TRX system - which is the only one within Copeland. To date the facility has attracted over 300 new members. Note: this cost centre holds expenditure for revenue works (in relation to the air handling unit at the pool) which will be transferred to revenue once the final invoice has been received.

4.2 Whitehaven THI – In year budget £650k - This project is progressing with the renovation of the former YMCA building and further interest from 3 other priority property owners. An application has been received to renovate one property in the Market Place and architects have been instructed for two other properties. A public realm scheme for the end of James Street has been drafted and final drawings are awaited. A lime taster day was held for students at Lakes College on the 19 November and a day for local residents to investigate the architectural history of the YMCA building was held on

the 12th November. Master classes in joinery and slate roofing are planned for the coming quarter. This five year programme is expected to be delivered on time and to budget.

- 4.3 Fleet Replacement – In year budget £94.6k – The Council owned kerbside recycling vehicle is now beyond its expected useful life and should have been replaced in the autumn 2014. £90k of this year's fleet replacement budget is to provide the replacement vehicle. However since the Council is now obliged to review its recycling service in light of new regulations requiring 4 different materials to be collected at the kerbside, it is anticipated the purchase of a recycling vehicle will not be completed in the current financial year. The assessment that needs to be carried out will form part of the wider Waste services service review. The review will determine how materials are collected for recycling in the future and the type of vehicle needed. The £90k budget has therefore shown as an under spend to be carried forward to 2015-16. The existing vehicle is in reasonable condition and is being regularly maintained to ensure it can continue to be used to deliver this key service to Copeland's residents for the near future.
- 4.4 Whitehaven Cemetery Extension – In year budget £250k - The revised project totalling to maximise space within the existing cemetery is due to commence and be completed by the year end. This relatively minor part of the project will create space for approximately 80 additional burials by removing existing pathways and installing a new access way to the area at an estimated cost of £15K. The more significant work to investigate the potential development of the woodland area, whilst underway is unlikely to lead to further spend in the current financial year and the remaining budget will need to be carried forward for 2015/16.
- 4.5 Millom Cemetery Extension – In year budget £143k - The project is currently delayed pending completion of legal agreement on the shared access with the church and the land purchase from Millom Town Council. Legal colleagues are aiming to complete the outstanding work by end January 2015. Unfortunately the delay is likely to lead to increased construction costs as the original quote was only valid until December 2014. A revised quote has been requested however construction work is not likely to start until spring 2015 and therefore it is requested that all remaining budget to be carried forward to 2015/16.
- 4.6 Empty Properties – In year budget £79k - The remainder of the funding will be spent by the end of this financial year, 13 units of accommodation will have been provided using the funding, all will be available to let to residents of Copeland.

5. HOUSING SERVICES – Disabled Facilities Grant's (DFG's)

- 5.1 Housing Services this year have a total **budget** of £757,337 inclusive of £157,337 carried forward from 2013/14 to fund commitments made in that year leaving £600,000 available to commit in the current year. It is *currently* anticipated that the level of commitments will be in line with budget this financial year. Members are asked to note that the current position is subject to change as it is impossible to predict with certainty the number or value of referrals that may be received before the financial year end.
- 5.2 Of the £757,337 budget, forecast **spend** in year is approximately £587,000. The remaining £170,000 unspent budget is forecast to be carried forward into 2015/16 to meet commitments approved this year.
- 5.3 Copeland has received 123 new referrals for Disabled Facilities Grants applications since April 2014 for the installation of stair lifts, bathroom alterations, access into properties and ground floor extensions. 94% of the applications received have been eligible for grant with no contribution required from the property owner.

- 5.4 Members are asked to note that DFG's are not an annual programme. They are a responsive statutory duty that rolls over year on year to qualifying people who are referred from Occupational Therapy at any time, as and when their need arises. The majority of spend occurs at end of each individual project so spend subsequently follows the date the commitment was granted. This will necessitate some of the funding to be carried forward into 15/16 to complete projects commenced in year as stated in 5.2 above.
- 5.5 Income from DCLG was budgeted at £261,000 being the best estimate at the time the budget was set. We have, however, received £276,312 which is £15,312 in excess of the original budget. This will reduce the need to call on our own funding from the Useable Capital Receipts Reserve by the same amount of £15,312.
- 5.6 The details of anticipated spend is illustrated in Table 1 below, with the commitments continuing to be reviewed by Housing and Finance staff regularly:

Table 1 – Housing DFG Budget and Spend 2014/15

Housing Budget & Spend 2014/15	£	£
FORECAST POSITION as at Quarter 3		
<u>EXPENDITURE BUDGET</u>		
Budget brought forward from 2013/14	157,337	
New budget 2014/15	600,000	
Total budget 2014/15		757,337
<u>FUNDING OF EXPENDITURE BUDGET</u>		
UCRR (Reduced by £15,312 add. income see below)	(481,025)	
External income from DCLG (as per budget)	(261,000)	
Additional external income from DCLG (not budgeted)	(15,312)	
Total funding of expenditure budget		(757,337)
<u>FORECAST EXPENDITURE 2014/15</u>		
Actual paid to date	471,146	
Forecast Spend to March 2015	116,253	
Total Expenditure 2014/15		587,399
<u>FUNDING OF FORECAST EXPENDITURE</u>		
External income from DCLG		(261,000)
Additional income from DCLG		(15,312)
Useable Capital Receipts Reserve		(311,087)
Total funding of Expenditure		(587,399)
Budget Forecast Underspend		(169,938)
Underspend useage:		
Comittments made 2014/15 to be carried forward & paid in 2015/16		169,938
To be returned to the Housing Reserve for future Disabled Facilities Grant awards		0
		169,938

6. CAPITAL RECEIPTS

- 6.1 The initial forecast capital receipts for 2014/15 was estimated at £351k but this has since been revised to receipts of approximately £595k.
- a. Of the revised forecast capital receipts of £595k above, actual disposal proceeds received at Quarter 3, (31 December 2014) amounted to £239k.

- b. Of the remaining £356k anticipated receipts (£595k estimated above less £239k already received) - £328k relates to the former Kells School Plots and the Legal Services Manager is continuing to progress these sales to realise the outstanding capital receipts. However, it should be noted that there is a very likely possibility that these receipts may not be received this financial year, as some are dependent upon a number of key decisions to be made by external parties; and so the actual timing of the receipt is beyond our control. The remaining £28k relates to ad-hoc sales of land and property which are currently still anticipated to be sold within year.
- c. The timing and value of capital receipts is imperative to enable the Authority to realise sufficient capital receipts and provide adequate funding of the future Capital Programme. **It should be noted that if no further VAT Share receipts or Capital receipts are realised; we will have sufficient funding for the current programme and the proposed 2015/16 capital programme, but would be unable to fund any further capital programmes from our own resources.**

7. FINANCING

- 7.1 Table 2 below shows how the current 2014/15 Capital Programme will be funded. It is important that the funding of the Capital Programme is fully understood and can be demonstrated in particular the identification of external resources to support capital expenditure. This will contribute to improving the quality of the Financial Accounts, and on-going budget management.
- 7.2 The current forecast 2014/15 capital programme expenditure of £2,644,521 is planned to be financed as follows:

Table 2: Financing of the 2014/15 Capital Programme

Funded by:	Forecast funding based on current forecast capital receipt
Useable Capital Receipts – General Capital Receipts	1,235,227
Useable Capital Receipts – Housing Capital Receipts (DFG & Empty Properties)	389,656
Other reserves & contributions	277
TOTAL INTERNAL FUNDING FROM THE UCRR	1,625,160
External Funding	*1,019,361
TOTAL INTERNAL & EXTERNAL FINANCING	2,644,521

* Please see paragraph 3.2 for the make-up of the external funding

- 7.3 The impact of forecast capital programme spending 2014/15 and actual capital receipts received to end of December 2014 would leave a balance of approximately £2.4m in the Useable Capital Receipts reserve as at 31 March 2015 made up of £1.3m in the General Capital Receipts, £0.9m in Housing Capital Receipts and £0.2m in Land Management reserve. This is also shown in Table B at Appendix A.

8. CONCLUSION

- 8.1 It is identified that there remains a strong risk that we may not realise all of the forecast capital receipts this financial year as they are dependent upon circumstances outside the Authorities control. This will be continually reviewed and Members updated accordingly.
- 8.2 Although the authority has sufficient funding for both the current programme and the proposed 2015/16 capital programme (to be presented to Executive in February 2015), it should be noted that if no further capital receipts or VAT share receipts are realised then there would be insufficient reserves to fund any future capital programmes beyond those to be approved in the next programme.

8.3 The capital programme will continue to be robustly monitored over the coming months with the next report to be presented to Executive detailing the Outturn position at the financial year end.

9 STATUTORY OFFICER COMMENTS

9.1 The Monitoring Officer's comments are:

9.2 The Section 151 Officer's comments are: Included within this report

9.3 EIA Comments: Details are in accordance with the approved capital strategy and programme approved by Council.

9.4 Policy Framework:

9.5 Other consultee comments, if any: None

10 RESOURCE REQUIREMENTS

10.1 It is imperative that all budgets are monitored monthly with exceptions reported through Corporate Leadership Team and Executive so that management action can be taken to ensure the effective use of resources as planned by the Council.

10.2 The budget monitoring process is fully integrated into the planning process to ensure that Council objectives and priorities as outlined in the Corporate Plan are fully resourced as planned.

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

11.1 The capital programme will continue to be monitored monthly with the next report to Executive at Outturn. The budget monitoring process continues to be refined to provide members and officers with the up-to-date financial information needed to make key decisions on resource allocations during the year to feed into the Council's budget process.

11.2 The capital programme assumes funding from the sale of assets. Generation of capital receipts presents risks in terms of the timing and value of receipt.

List of Appendices:

Appendix A – Capital Financial Tables at Quarter 3

Appendix B – Capital Budget Monitoring Report from Total

Appendix A

Table A: Spend & external income receipt to date and forecast for year as at 31 December 2014

	Gross budget	Spend/Income to date	Forecast periods 10-12	Total gross forecast	Variance
2014/15 Expenditure	3,596,269	1,644,461	1,000,060	2,644,521	-951,748
2014/15 External Income	-1,162,649	-486,795	-532,566	-1,019,361	143,288
TOTAL (Net)	2,433,620	1,157,666	467,494	1,625,160	-808,460

Table B: Impact of forecast capital programme spending and actual capital receipts in 2014/15 on the Useable Capital Receipts Reserve

USABLE CAPITAL RECEIPTS	General Capital Receipts Reserve £	Housing Capital Receipt Reserve £	Land Management £	TOTAL £
Opening balance per audited accounts:	-2,164,925	-1,258,075	-200,000	-3,623,000
Forecast draw down to fund 14/15 capital programme	1,235,227	389,656	0	1,624,883
VAT sharing receipts to date	-163,070	0	0	-163,070
Actual Capital Receipts to date	-238,645	0	0	-238,645
Forecast useable Capital Receipts closing balance	-1,331,413	-868,419	-200,000	-2,399,832

*Note: The VAT Share receipts & Capital Receipts are shown as **actual** received at Q3. The year end **forecast** capital receipts for VAT Share is £305k and £595k for capital receipts. If both full forecast receipts are received, the balance on the General Capital Receipts Reserve would be £1.83m at year end (not £1.33m) resulting in a total reserves balance of £2.90m (not £2.4m).

Table C: Financing of the 2014/15 Capital Programme

	Budget £	Actual £	Total Forecast £
TOTAL FINANCING OF CAPITAL PROGRAMME 2014/15	3,596,269	1,644,461	2,644,521
Funded By:			
Useable Capital Receipts	-1,858,714	-991,919	-1,235,227
Housing Capital Receipts Reserve	-574,906	-165,470	-389,656
Other Reserves and Contributions	0	-277	-277
TOTAL INTERNAL FUNDING	-2,433,620	-1,157,666	-1,625,160
External Funding	-1,162,649	-486,795	-1,019,361
TOTAL FINANCING INCL EXTERNAL INCOME	-3,596,269	-1,644,461	-2,644,521

APPENDIX B - CAPITAL MONITORING REPORT TO 31 DECEMBER 2014 - QUARTER 3

Cost Centre	Project Description	Current Approved Budget 14/15	Current Net Expenditure	Revised Projection	Revised forecast Y/E Variance	Notes
07601	Housing DFG Grants	757,337	471,146	587,399	- 169,938	Rolling DFG programme - carry forward required
07084	Fitness Extension - Copeland Pool	664,702	743,452	664,702	-	Completed to budget (excess revenue spend to be moved)
07817	Whitehaven THI	650,000	122,401	311,578	- 338,422	Ongoing project over next 3 financial years - carry forward
07823	Accommodation Strategy	400,000	-	400,000	-	Closely linked with ICT and Customer Service Strategy
07824	Whitehaven Cemetery Extension	250,000	-	50,000	- 200,000	Carry forward required
07821	I.C.T.	186,757	94,731	186,757	-	Closely linked with Accommodation Strategy
07058	Millom Cemetery Land Purchase	143,126	5,134	21,126	- 122,000	Carry forward required
07112	Customer Service Strategy	142,041	-	142,041	-	Closely linked with Accommodation Strategy
07057	St Bees Foreshore Play Area	136,947	131,567	132,829	- 4,118	Project complete, potential return to reserves
07815	Fleet Replacement	94,600	3,149	4,600	- 90,000	Carry forward £90k required
07825	Empty Homes - bringing back into use	78,569	13,958	78,569	-	Full spend expected prior to year end
07120	Operational Building - Beacon Lift Installation	46,385	39,982	43,182	- 3,203	Project complete, potential return to reserves
07814	Valuation Data Transfer	20,000	-	-	- 20,000	Potential return to reserves
07285	Rottington Beck	14,734	14,761	14,761	27	Project complete
07120	Operational Building - Moresby Splitting Services	4,421	3,727	3,727	- 694	Project complete
07120	Operational Building - Other	3,650	-	-	- 3,650	Potential underspend
07046	Mount Pleasant Park, Whitehaven	3,000	-	3,000	-	To be spent on planting at Mount Pleasant
07037	Regeneration Software	-	250	250	250	Project complete - to be funded from revenue
07066	Data Capture	-	202	-	-	Project complete - costs coded incorrectly to be moved

Expenditure	3,596,269	1,644,461	2,644,521	-	951,748
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TREASURY MANAGEMENT – QUARTER 3 SUMMARY FINANCIAL REPORT 2014/15

EXECUTIVE MEMBER: Councillor Gillian Troughton
LEAD OFFICER: Angela George, Interim Finance Manager (S151 officer)
REPORT AUTHOR: Leanne Barwise, Senior Accounting Officer

WHY HAS THIS REPORT COME TO THE EXECUTIVE?

To inform Executive of the Treasury Management activity to 31 December 2014 and provide a forecast estimated investment interest to year end. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members are updated on treasury management activities regularly. This report therefore ensures this Council is implementing best practice in accordance with the Code.

RECOMMENDATIONS:-

- I. Executive are asked to note the contents of this detailed Treasury Management Quarter 3 report.

1. INTRODUCTION

- 1.1 The Treasury Management budget is subject to a detailed monthly review and forms part of the Revenue Budget Monitoring report presented to Executive on a quarterly basis. This report further details the monitoring position at 31 December 2014 and provides an estimate of expected investment income to the year end.

2. BRIEF ECONOMIC OUTLOOK FROM OUT TREASURY ADVISORS, CAPITA

- 2.1 Strong UK growth so far this year, 0.7% in Q1, 0.9% in Q2 and a third estimate of 0.7% in Q3 (annual rate 2.6% in Q3). Although strong growth by UK standards, this is not as strong as previously forecast. Indications are that growth will continue through 2014 & 2015. However, for the recovery to become more balanced and sustainable, it needs to move away from dependence on consumer expenditure and the housing market to manufacturing and exports.

Consumer Price Inflation (CPI) reached 0.5% in December; the lowest 12 month rate on record. This has fallen mainly due to low fuel costs, falling food prices and December 2013 gas and electric price increases falling out of the calculation.

The Bank rate remains at the historically low level of 0.50%. The Monetary Policy Committee (MPC) minutes showed a distinct move towards caution in raising rates too soon in order to protect UK growth. Financial markets have reacted to this by shifting their first increase in rates back to Q4 2015.

Geopolitical concerns, over amongst other things, global growth, Ukraine, the Middle East and the Eurozone, have seen Gilt prices fall and along with it PWLB rates. However, long term expectations are for a rise in rates.

3. TREASURY MANAGEMENT EXPENDITURE BUDGET & FORECAST 2014/15

- 3.1 The treasury management budget was set by Council alongside other revenue budgets on 27th February 2014.
- 3.2 The treasury management expenditure budget of £392k (excluding SLA's) mainly consists of non-controllable costs. £379k of this relates to the annual interest repayments on the Authorities only remaining £5m loan. These repayments of interest are made bi-annually in August and February each year. At the current time, the advice is to leave this loan in its present form as the penalty for repaying early (currently estimated at £3m penalty plus the £5m loan) would be prohibitive. This is however, continually reviewed with our Treasury Consultants, Capita Asset Services.
- 3.3 The expenditure budget of £392k against an income budget of £202k results in a net budget for the treasury management function of £190k.
- 3.4 The expenditure budget forecast is detailed in the following table:

Table 1 – Expenditure Budget (excluding SLA's)

Budget	Spent to Date	Forecast of expected payments to 31/03/15	Total Forecast position as at 31/03/15	Variance as at 31/03/15
£	£			£
391,991	140,546	248,810	389,356	(2,635)

4. TREASURY MANAGEMENT INCOME BUDGET & FORECAST 2014/15

- 4.1 The treasury management income budget for anticipated investment returns on our cash held deposits has been revised up to a level of £202k for 2014/15. The budget was originally set at £50k lower (£152k) on the assumption that interest rates could potentially fall further than they were in 2013/14. But we were able to restate the £50k in 2014/15 through revisions to the Treasury Management Strategy Statement to fully utilise the retention of the monies received from a major ratepayer. This has resulted in increased balances and better returns for this financial year. In light of these improved returns, the 2015/16 budget has been increased by an additional £30k to £231,822.
- 4.2 The income budget forecast is detailed in the following table:

Table 2 – Investment Interest Income

Investment Interest Budget revised at Quarter 1 £	Interest received to Date £	Interest on current outstanding investments	Forecast of expected investments to 31/03/15	Total Forecast position as at 31/03/15	Variance as at 31/03/15 £
201,822	119,572	108,638	22,554	250,764	48,942

4.3 As shown in the above table, a full year forecast for investment interest at 31 December 2014 is £250,764, resulting in a forecast possible income of £49k in excess of the budget at the year end. Members should note that the financial markets remain very uncertain and the anticipated receipt is the forecast outcome and is not guaranteed. Any fluctuation in the estimated interest rate or balances for January–March 2015 will impact on the interest received in that period.

4.4 Attached at Appendix A shows the Councils investments as held at 31 December 2014 detailing each counterparty, principal invested, period of investment, maturity date and yield.

5. WHAT ARE THE LEGAL, FINANCIAL AND HUMAN RESOURCES IMPLICATIONS?

5.1 Investment income will continue to be monitored and reported to Members on a quarterly basis in the Revenue monitoring report, and explicitly in this report, also on a quarterly basis. The next report due to Executive will detail the Outturn position of the Treasury Management function.

6. STATUTORY OFFICER COMMENTS

6.1 The Monitoring Officer’s comments are:

6.2 The Section 151 Officer’s comments are: Included within this report

6.3 EIA Comments:

6.4 Policy Framework: Within the Treasury Management Strategy 2014/15 approved by Council in February 2014.

7. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

7.1 It is imperative that all budgets are monitored monthly with exceptions reported through Corporate Leadership Team and Executive so that management action can be taken to ensure the effective use of resources as planned by the Council.

7.2 The Treasury Management function will continue to be monitored and reported to Members. The budget monitoring process continues to be refined to provide members and officers with the up-to-date financial information needed to make key decisions on resource allocations during the year to feed into the Council's budget process.

List of Appendices:

Appendix A – List of Investments as at 31 December 2014

APPENDIX A

TEMPORARY INVESTMENTS as at 31 December 2014

COUNTERPARTY NAME	AMOUNT £	PERIOD OF LOAN	VALUE DATE	MATURITY DATE	RATE	VARIABLE/ FIXED	BASE RATE
BARCLAYS	4,990,000	INSTANT CALL			0.50%	VAR	**
IGNIS MMF	3,924,000	INSTANT MMF			0.42%	VAR	
LGIM MMF	4,990,000	INSTANT MMF			0.46%	VAR	
GOLDMAN SACHS MMF	1,119,000	INSTANT MMF			0.45%	VAR	
LLOYDS GROUP	7,450,000	364 DAYS FIXED	21/05/2014	20/05/2015	0.95%	FIX	
LLOYDS GROUP	2,540,000	364 DAYS FIXED	01/04/2014	31/03/2015	0.95%	FIX	
RBS	7,440,000	95 DAYS NOTICE	18/09/2014	06/01/2015	0.40%	VAR	
SANTANDER	5,000,000	90 DAYS FIXED	23/10/2014	21/01/2015	0.54%	FIX	
TOTAL INVESTMENTS	37,453,000				0.48%		0.50%

SUMMARY	BALANCE £	MAXIMUM LIMIT £	AVAILABLE £
BARCLAYS	4,990,000	5,000,000	10,000
BLACKROCK MMF	0	5,000,000	5,000,000
FEDERATED INVESTORS MMF	0	5,000,000	5,000,000
IGNIS MMF	3,924,000	5,000,000	1,076,000
INSIGHT MMF	0	5,000,000	5,000,000
LGIM	4,990,000	5,000,000	10,000
RBS MMF	1,119,000	5,000,000	3,881,000
DMADF	0	Unlimited	Unlimited
LLOYDS GROUP	9,990,000	10,000,000	10,000
RBS	7,440,000	10,000,000	2,560,000
SANTANDER	5,000,000	5,000,000	0
TOTAL INVESTMENTS	37,453,000	60,000,000	22,547,000

**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)

Forecast variances in excess of £20k (+ or -)	£	Notes
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)	
Net forecast underspend at Period 9	(702,728)	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

Description	Responsible Officer	Saving to be met	Forecast saving as at Pd6	Forecast shortfall as at Pd6	RAG Rating
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)
Total	10,511	668	120	11,299	7,377	10,596	(703)
Funding							
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)
Total	10,511	668	120	11,299	0	10,596	(703)

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 1st October 2014 to 31st 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
Total	257	494,077

○ 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
Total	128	252,279	322	128,712

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

1	Budget Responsibility - Corporate Level	Current Approved Budget 14/15	Current Net Expenditure	Revised Projection	Revised forecast Y/E Variance
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)
	TOTALS	11,299,239	7,377,081	10,596,511	(702,728)

2	Budget Responsibility - Departmental level	Current Approved Budget 14/15	Current Net Expenditure	Revised Projection	Revised forecast Y/E Variance
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)
	TOTALS	11,299,239	7,377,081	10,596,511	(702,728)