

**REVENUE BUDGET – PERIOD 6 SUMMARY FINANCIAL REPORT 2014/15 (1 July 2014 to 30 September 2014)**

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

**Summary:**

This quarterly financial report is to update Executive on:-

- the work undertaken since quarter 1 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 6 month period to 30 September 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 £11.249m as set out in paragraph 1.4
- (ii) Note at Q2 the projected in year savings against budget are forecast for yearend as verified by CLT, to be:-
  - £10k against one off earmarked reserves for project work and initiatives
  - £372k against general fund

This totals £382k in year savings forecast against the current approved revenue budget of £11.249m.

- (iii) Note the risks to the budget as detailed in section 4.

- (iv) Notes the decision taken by the Chief Financial Officer (s151), on outstanding debts totalling £55.5k as set out in paragraphs 2.2 and 2.3 of Appendix E.

## 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 in February 2014 at £10,511m, 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 30 September to £11,249m.

1.5 The budget of £11,249m includes earmarked reserves of £558k, with forecast usage being £548k in year and carry forwards to the value of £572k which are forecast to spend in full in year.

## 2. FORECAST BUDGET POSITION AS AT QUARTER 2 – JULY TO SEPTEMBER 2014

2.1 The forecast position recorded on the budget model, for year end, as at quarter 2, is an in year saving against the current approved budget of £382k and is analysed as primarily on the following cost centres:

**Table 1 – Main contributors to underspend by Cost Centre**

Individual Cost centre variances in excess of +/- £20k	£000's	Notes
North Country Leisure (buildings)	(100,000)	1
Public Buildings General	(100,000)	2
Homelessness	(21,366)	3
NCL Contract	32,000	4
Cost Centres with variances below +/- £20k	(192,279)	
<b>Net Forecast underspend at Period 6</b>	<b>(381,645)</b>	

Notes:

1 & 2 This relates to budgeted spend on our buildings please see paragraph 5.4

3 Homelessness - a number of small underspends within this cost centre relating to repairs, fitting that have not been required to date

4 North County Leisure – operating income down as detailed in paragraph 4.3

- 2.2 The breakdown of the net expenditure budget and forecast over corporate teams and its funding is shown in Appendix A.

### 3 LOCALLY RAISED FUNDING

#### 3.1 NNDR collection Data

The % collection rate is slightly down on quarter 2 last year at 88.08%, 59.48% excluding major rate payer (against 88.95% in 2013/14, 60.54% 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 £35m (£34.5m in 2013/14).

#### 3.2 Council Tax Collection Data

The % collection rate is consistent with quarter 2 last year at 58.03% (against 58.02% in 2013/14), with monies collected standing at £9.5m (£9.3m in 2013/14), but again on target for the year.

### 4 RISKS

#### 4.1 Achievement of Planned Savings

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 Board regularly monitors the RAG (Red/ Amber/Green) status of these savings.

- 4.2 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 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 Q2 are considered by the board 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

4.3 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.

4.4 Whilst admissions remain below those included in the business plan it is anticipated the Beacon will meet its target of being run at nil cost to the council this year, by utilising, if necessary the sinking fund. Executive are to receive a full update on the performance of the Beacon, on its initial 6 months of trading as a collaboration (June – November 2014), in December.

## **5 MANAGEMENT ACTION TAKEN TO DATE**

5.1 Since the out turn for 2013/14, work has been undertaken to look at the base budget and re-align where necessary, with a number of virements being carried out in quarter 1.

5.2 Extensive work has been carried out in quarter two including a series of budget forecast meetings, held between budget managers and members of CLT with the aim of exploring the current year budgets and the current forecasts. This has resulted in some in year savings being forecast as well as some in year pressures identified, i.e. Individual Electoral Registration will require a mini canvas to be carried out prior to April and the estimated cost for mailing out to 35,000 homes is £25k, this spend has been accounted for in the current forecast. These identified savings and pressures have resulted in some further budget realignment virements in quarter 2.

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.

5.4 Some budgets are more susceptible to change than others and our Property Maintenance budgets for our buildings would fall into this category. Some elements of the budget are demand-led and responsive, and some elements are to deal with unforeseen issues such as severe winter weather and storms that may cause damage to our buildings beyond any planned maintenance that was programmed. The current Planned Maintenance Programme and Reactive Maintenance budgets are showing an under-commitment in actual spend of approximately £200k for 2014/15. (items 1 and 2 in table 1, paragraph 2.1 above) Some of this is caused by a continued lack of capacity in the Property Team, despite several attempts to recruit into Valuation posts over the past year. Whilst we continue to look at ways to create capacity in the Team and recruit from the market, it is likely that some of the current programme of repairs may need to be re-programmed into 2015/16. The intention is to complete as much of the programme of repairs as possible by the end of March 2015, but it is important to flag up the potential unspent budget at this stage in the financial year and as part of budget planning for 2015/16, in case a carry forward request needs to be made. 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.

- 5.5 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.

## **6 WRITE OFFS**

- 6.1 Debts totalling £55.5k have been written off by the Chief Financial Officer in quarter 2, Members are asked to review Appendix B and formally approve these.

## **7 CONCLUSION**

- 7.1 The spending forecast at period 6 is an in year saving of £382k against the current approved revenue budget of £11,249m, 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: No further comment.
- 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 by Corporate Team

Appendix B - Debts action report

## REVENUE BUDGET – PERIOD 6 SUMMARY FINANCIAL REPORT 2014/15 (1 April 2014 to 30th September 2014)

### APPENDIX A

	Original Budget 27 Feb 2014	Amended 27 May 2014 (includes cfwds)	Changes period 1-12	Current Approved Budget	Actual spend	14/15 Forecast at Period 6	Variance to Budget at Period 6
<b>Department</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	2,294	77	251	2,622	644	2,543	(79)
Copeland Services	2,361	72	21	2,454	1,373	2,410	(44)
Customer & Community Services	1,336	154	2	1,492	585	1,492	0
Economic Growth	457	91	17	565	84	541	(24)
Resources & Strategic Commissioning	4,063	274	(221)	4,116	2,472	3,881	(235)
<b>Total</b>	<b>10,511</b>	<b>668</b>	<b>70</b>	<b>11,249</b>	<b>5,158</b>	<b>10,867</b>	<b>(382)</b>
<b>Funding</b>							
RSG	2,513	0	0	2,513		2,513	0
Baseline need	2081	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
Specifc Grants	17	0	0	17		17	0
BEC Social Fund	400	0	0	400		400	0
Earmarked Reserves	275	213	70	558		548	(10)
General Fund Reserves	213	455	0	668		296	(372)
<b>Total</b>	<b>10,511</b>	<b>668</b>	<b>70</b>	<b>11,249</b>	<b>0</b>	<b>10,867</b>	<b>(382)</b>

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> July 2014 to 30<sup>th</sup> September 2014 and details the write off of debt totalling £55,545 for those three months, as set out in Paragraphs 2.2 and 2.3, bringing the year to date write offs to a total of £86,018.

## **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

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

## **2 DEBT ACTION THIS QUARTER**

2.1 The debts written off in this appendix have been authorised by the Chief Financial Officer, as they are all below £50,000 in value.

2.2 £20k 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 20 this period and a total of 39 in year (compared to 92 during the whole of the Financial Year 2013/14).

2.3 The remaining balance of £35k is being written off for a variety of reasons including where:-

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



### 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 30.09.14	Amount Written Off 1.04.14 to 30.09.14
Council Tax	32	14,491
National Non Domestic Rates	12	36,996
Housing Benefit Overpayments	74	31,639
Sundry Debt	10	2,892
<b>Total</b>	<b>128</b>	<b>86,018</b>

#### 3.2 Analysis of type of debt written off in quarter 2 2014/15 and total 2013/14

Type of Charge	Number of Accounts 01.07.14 to 30.09.14	Amount Written Off 01.07.14 to 30.09.14	Number of Accounts for whole of 2013/14	Amount Written Off for whole of 2013/14
Council Tax	20	8,405	144	57,206
National Non Domestic Rates	4	26,237	12	31,417
Housing Benefit Overpayments	52	19,276	105	21,507
Sundry Debt	4	1,627	61	18,582
<b>Total</b>	<b>80</b>	<b>55,545</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 £10.5k 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 12% or circa £1,739 to date.
- iii. The remaining debt in respect of housing benefit overpayments and sundry debts) falls completely on the Council.

The bad debt write-offs in respect of housing benefit overpayments are charged to the housing benefits cost centre. Write-offs in respect of sundry debts are 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.**