

**REVENUE BUDGET – PERIOD 3 SUMMARY FINANCIAL REPORT 2013/14 (1 April 2013 to 30 June 2013)**

**EXECUTIVE MEMBER:** Cllr Gillian Troughton,  
**LEAD OFFICER:** Darienne Law – Head of Corporate Resources  
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**Summary:**

The Local Government Finance Act 2012 changed the way local government is financed. This means that the council has a greater reliance on income from council tax, business rates and other income sources. At the same time Government is reducing its core funding. This fundamental change in our funding regime increases the council's financial risk.

The severity of the continuing reductions in government grants has impacted severely on Copeland's current and future financial position. The wider economic environment in which we operate is also impacting on our ability to provide services to residents, many of whom, in turn, are experiencing financial difficulties themselves.

This quarterly financial report is to update Executive on:-

- the performance of our funding and income streams,
- an estimated outturn forecast against the current approved 2013/14 budget, based on the financial position for the 3 month period to 30 June 2013,

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 risks to the budget as detailed in sections 2 and 4 and the income projections in section 3.
- (ii) Note the approved net current revenue budget of £11,097m as set out in paragraph 8.1
- (iii) Note the projected year-end overspend of £87k against the current approved revenue budget of £11,097m being £25k under spend against Earmarked reserves and £112k over spend against base budget. See Appendices C & D
- (iv) Note the decision taken by Head of Corporate Resources, on outstanding debts totalling £54k as set out in paragraphs 3.1 and 7.1 of Appendix E.
- (v) Approve the release of £4,912 from Crematorium Donations Fund earmarked Reserve and release of £1,000 from Catherine Street Car Park earmarked reserve as detailed in paragraph 8.2.
- (vi) Approve the release and use of £55k from the general fund reserve as detailed in paragraphs 8.3 and 8.4.

## 1 INTRODUCTION

1.1 In accordance with Council's Financial Regulations;

- The Head of Corporate Resources 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 2013/14 revenue budget in February 2013 at £10,362m, which included savings to be made of £1.76m. Subsequently at the Council meeting of 20 June 2013, amendments to the budget including carry forwards and further amounts released from ear marked reserves were approved, bringing the total revenue budget for 2013/14 to £11,192m.

1.5 The inclusion of earmarked reserves in the budget (£527k), their forecast usage and any subsequent underspend is detailed in Appendix A.

1.6 The inclusion of carry forwards in the budget (£565k), their forecast usage and any subsequent underspend is detailed in Table x in Appendix B.

1.7 The forecast position for year end, as at quarter 1, is an over spend of £87k and is primarily due to:

**Table 1 – Main contributors to overspend of £87k**

	£ 000's
Under achievement of fees and charges, investments and car parking income (see Table 2)	137
NCL Contract over spend	95
Business Basics savings target	73
<b>Total set off by:</b>	<b>305</b>
Material Salary savings (see paragraph 3.1 for commentary)	(123)
Savings in contractor cost (linked to under achievement of fees above)	(46)
Sea Monsters Exhibition at Beacon	(18)
Remaining net over/under spends	(31)

- 1.8 Should the trend continue any year end overspend as detailed in Table 1 above will need to be managed down or funded from the general fund reserve.
- 1.9 The breakdown of the net expenditure budget and forecast over corporate teams and its funding is shown in Appendix C. Appendix D shows the breakdown of the budget and forecast over cost centres.

## 2 ECONOMIC OUTLOOK

- 2.1 This report looks at and details the risks that exist in the financial environment in which we operate and the impact that this will have on our income and funding.
- 2.2 According to Sector Ltd, our Treasury management advisers,  
 “the economic outlook has been improving, with mortgage approvals, house price rises, employment figures and industrial and service output all showing much improved figures, in the first part of this year; the economic recovery will remain fragile for some time. The UK Government’s finances, whilst broadly on track, remain in an unhealthy position and will take many years to correct. The broader world economy has seen an improvement in the US economy, but the Euro Zone is still struggling and until the western economies see stronger growth, the UK is unlikely to see significant improvement.”
- 2.3 One of the knock on effects of 2.2 is Government policy requires low short term interest rates to stimulate lending to the personal and business sectors which in turn mean the Council’s investment returns remain low for the foreseeable future.
- 2.4 The continuing poor economy will be impacting not only on our investment returns but also on our ability to meet fees and charges income targets (as evidenced in Table 2 at 3.1), and possibly our local businesses ability to meet their NNDR obligations (Table 3) and our citizens ability to pay Council Tax (Table 4).

## 3 INCOME FORECASTS

### 3.1 Fees and Charges

**Table 2 Main Income Variations**

Income Source	13/14 Budget	Forecast to y/end	Forecast under achievement of income	Narrative
Fees & Charges	(2,322,438)	(2,248,062)	74,376	Main under achievements on Enforcement - £12k and Refuse (Commercial)- £60k
Car Parking income	(403,904)	(358,682)	45,222	
Investments	(202,822)	(185,000)	17,822	Despite a number of lump sum NNDR payments at the commencement of year the continuing low interest rates are forecast to

				result in a shortfall.
	(2,929,164)	(2,791,744)	137,420	

The most significant variances on income relate to our car parking and fees and income as detailed in table 2. As these income targets underpins our budget, under achievement of these means there may not be sufficient income by year end to fund all of our expenditure:

Sundry debts to value of circa £3k have been written off in year to date compared to circa £36k in the whole of 2012/13, at the average of 6 debts a month in each year.

### 3.2 NNDR collection rates

The authority's funding is now only guaranteed in part with the remainder dependent upon our collection of NNDR.

Figures provided by the Revs and Bens Shared Service show that we have recovered over 81% of our NNDR in the first three months of the year but this is distorted by the collection of a significant rate payer in full in April. The exclusion of this account takes our collection rates to 31.61% cumulative to end of June 2013.

The table below shows the recovery of business rates, which has been relatively consistent over recent years but this could change in the current climate. Any under collection would have to be suffered up by the authority for the first £165k in every year. There are also a number of appeals waiting to be heard which if the applicants are successful will reduce the amount to be collected initially, again this loss would have to be suffered by the authority up to the safety net level of £165k mentioned above.

**Table 3 National Non Domestic Rates Collection Data**

*Without significant ratepayer figures*

<b>Copeland</b>		2013/14	2012/13	2011/12	2010/11
<i>10.84%</i>	Apr	74.57%	11.93%	10.78%	11.22%
<i>21.62%</i>	May	78.37%	21.65%	21.04%	21.59%
<i>31.61%</i>	Jun	81.29%	31.26%	31.08%	31.72%
	Jul		40.97%	40.28%	41.14%
	Aug		50.38%	50.11%	50.63%
	Sep		60.19%	59.99%	60.07%
	Oct		69.84%	69.76%	69.94%
	Nov		79.34%	79.09%	79.46%
	Dec		88.81%	86.13%	89.14%
	Jan		98.43%	98.37%	98.30%
	Feb		98.81%	98.72%	98.99%
	Mar		99.03%	98.92%	99.14%

The report in Appendix E gives details of action taken on irrecoverable historic NNDR debts and provides an analysis of the age of such debt.

### 3.3 Council Tax collection rates

As detailed in the table below our current Council Tax collection rate looks comparable to previous years but the impact of the current climate and welfare reforms may not yet be apparent. This year is also the first year the system of discounts replaces the previous system of benefits and the council will be required to fund any difference arising.

A review of the CTRS scheme and Discounts will be carried out shortly. Work is ongoing to establish the impact of the changes made from April 2013 and any recommendations for further changes will be made as part of the budget process.

**Table 4 Council Tax Collection Data**

	2013/14	2012/13	2011/12	2010/11
Apr	11.41%	11.61%	#N/A	11.66%
May	20.98%	21.14%	20.57%	21.13%
Jun	29.84%	30.32%	29.90%	30.35%
Jul		39.69%	39.18%	39.75%
Aug		49.00%	48.54%	49.03%
Sep		58.45%	58.02%	58.85%
Oct		68.25%	67.88%	68.93%
Nov		77.70%	77.46%	77.80%
Dec		86.91%	86.72%	86.95%
Jan		96.12%	95.79%	96.17%
Feb		97.88%	97.84%	#N/A
Mar		98.20%	98.15%	97.99%

The report in Appendix E gives details of action taken on irrecoverable historic Council Tax debts and provides an analysis of the age of such debt.

## 4 EXPENDITURE FORECASTS

### 4.1 Achievement of Planned Savings

Council approved actions to result in savings of £1.76m in year. The budget was reduced to reflect these planned changes. There are risks involved in the delivery of any plan; accordingly the Change 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. There are a few that are significant to the budget position which are not yet delivered and at Q1 are considered by the board to be at risk. These are set out in the Table 5 below.

**Table 5 Savings Targets – Forecast as not achieved at Q1**

Description	Responsible Officer	Saving to be met	Forecast saving as at Q1	Forecast shortfall in saving as at Q1	RAG Rating
INCREASE Car parking fees	Head of Neighbourhoods	59,000	13,778	45,222	Amber
REDUCE council running costs (Business Basics)	Chief Executive	80,000	7,000	73,000	Amber
REDUCE NCL costs	Head of Regeneration	287,000	192,255	94,745	Amber

- 4.3 Car parking fees - The income is currently down and forecast to remain so as at quarter 1. As income is related to usage it cannot be directly controlled, however the situation will continue to be monitored. It is anticipated when the local economy improves usage will return to historic levels.
- 4.4 Business Basics - Savings from review of Business Basics to be achieved through review of communications services, policy and transformation team, sharing of Human Resources Manager with Allerdale BC and review of Corporate leadership Team (CLT) and Personal Assistants to be completed in 2013/14, plus operational savings from CLT budget areas.
- Work has progressed on the sharing of the human resources manager and the role is currently out to advertisement
  - The communications review is being conducted by the Director of Services
- 4.5 NCL – A report is due to Executive for decision on 15<sup>th</sup> August 2013; this quarter 1 report has not considered the impact of any resulting decision will not impact until quarter 2.

## **5 Discretionary Housing Payments**

- 5.1 These provide customers with a further financial assistance when a local authority considers that help with housing costs is needed. It was anticipated that requests for this help would increase this year as residents needs change as welfare reform changes are implemented. Accordingly this area is being specifically monitored to track the impact.
- 5.2 CBC share of original grant provided by the government is £95k with our Overall Limit being set at £235k. (The Overall Limit being the maximum allowable payment as prescribed by Government).

- 5.3 An additional £16k grant was notified to the authority in July, bringing the external funding to £111k, out of the permissible Overall Limit of £235k detailed in 5.2 above
- 5.4 The original potential gap of £140k was recognised when the budget was set and Council agreed to set up an earmarked reserve and to monitor the take up of these payments. Table 6 below details the number of payments made in first quarter (88) and the amount of money spent/committed to date (10.6k), however anecdotal evidence suggests that residents are not applying until they are desperate and it is therefore anticipated that demand will increase as the year progresses.

**Table 6 Discretionary Housing Payments Data**

Externally funded budget original	94,263.00				
Externally funded budget new	16,493.00				
<b>Total externally funded budget</b>	<b>110,756.00</b>				
<b>Overall Limit</b>	<b>£235,658.00</b>				
	<b>Budget profile</b>	<b>Spend</b>	<b>% Spend</b>	<b>Claims Granted (cumulative)</b>	
<i>April</i>	£7,855.25	£1,259.22	1.34%	32	
<i>May</i>	£15,710.50	£5,301.63	5.62%	65	
<i>June</i>	£23,565.75	£10,637.86	11.29%	88	
<i>July</i>	£31,421.00	£13,876.72	14.72%	95	
<i>August</i>	£39,276.25		0.00%		
<i>September</i>	£47,131.50		0.00%		
<i>October</i>	£54,986.75		0.00%		
<i>November</i>	£62,842.00		0.00%		
<i>December</i>	£70,697.25		0.00%		
<i>January</i>	£78,552.50		0.00%		
<i>February</i>	£86,407.75		0.00%		
<i>March</i>	£94,263.00		0.00%		
Not Yet Posted		£6,877.68	22.02%	95	

## **6 MANAGEMENT ACTION TAKEN TO DATE**

- 6.1 Whilst there is no specific vacancy management target within this years savings targets, CLT are actively managing the vacancy management process and as a result only vacancies that are essential to the business needs of the council are being filled.
- 6.2 The net current levels of savings as detailed by budget managers, on the forecast model, to date are £123k (salaries, NI and Superann) and are reflected in the current period 3 forecast.
- 6.3 Whilst one impact of strong vacancy management is a saving in the bottom line another, perhaps more significant one is the reduction in the Authority's capacity to operate and progress the changes required to reshape its services and redefine what it can do given the reducing resources.

## **7 WRITE OFFS**

- 7.1 Debts totalling £54k have been written off by the Head of Corporate Services, Members are asked to review the attached report in Appendix E and formally approve these.

## **8 MANAGEMENT ACCOUNTING**

- 8.1 The outturn report presented to Members on 20 June stated the budget for the year to be £11,192m, following the correct treatment of the carry forwards for Copeland Community Fund deferred income reduced this was reduced to £11,141m and the substitution (rather than addition) of £44k general fund reserves with earmarked reserves for nuclear, resulted in the budget of £11,097m.
- 8.2 Members are asked to approve the release of £4,912 from the Crematorium Donations Fund earmarked reserve to allow adaptations to be made to the case holding the books of remembrance and £1,000 from The Sports Centre Car Park earmarked reserve for works on and to create disabled bays.
- 8.3 Members are asked to approve the release from general fund of £42k into the budget to enable the Council to comply with the new requirement for it to conduct and prepare for Individual Electoral Registration, (IER) and as a result of this the need for canvassing across the Christmas period as well as providing maternity cover for the Senior Elections Officer post.
- 8.4 Members are asked to approve the release from the general fund of £13k to enable post saving implementation adjustments to be made to grass cutting regimes at the gateways to towns across the borough.
- 8.5 Members are asked to note that the current budget of £11,097m does not include the amounts requested above.

## **9. CONCLUSION**

- 9.1 The spending forecast at period 3 is a year-end overspend of £87k against the current approved revenue budget of £11,097m, as detailed in Appendix D.



## **10. RESOURCE REQUIREMENTS**

- 10.1 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.
- 10.2 Whilst one impact of strong vacancy management is a saving in the bottom line another, perhaps more significant one is the reduction in the Authority's capacity to operate and progress the changes required to reshape its services and redefine what it can do given the reducing resources.

## **11 STATUTORY OFFICER COMMENTS**

11.1 The Monitoring Officer's comments are: No Further Comment

11.2 The Section 151 Officer's comments are: Contained within this report

11.3 EIA Comment:

EIA completed as part of the budget setting process in February 2013

- 11.4 Policy Framework: In February this year, the Council concluded a policy-led budget setting process. This was necessary due to the significant reductions in local government finance and some significant changes to national policy affecting the way local government will be financed in future, including the localisation of council tax and changes to business rates. This report outlines our income and expenditure profile as at period 3 including our achievement of planned savings. We will continue to monitor this and the impact of these changes as we progress throughout the year. These changes and any particular adverse impacts will be considered by the Corporate Leadership Team as part of its approach to strategic risk management.
- 11.5 Other consultee comments, if any: None

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

- 12.1 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.
- 12.2 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.
- 12.3 Finance have commenced a programme of training for budget managers around budget monitoring as well as revising the reports for CLT and Executive with the aim of identifying risks more keenly and providing a more accurate and useful management tool.

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

- 13.1 The measurement of revenue budget position for 2013/14 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.
- 13.2 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 – Earmarked reserve usage in budget
- Appendix B – Carry forward usage in budget
- Appendix C – Budget and forecast by Corporate Team
- Appendix D - Budget and forecast by cost centre
- Appendix E- Debts action report