

Allerdale Borough Council  
Executive – 25 February 2019  
**Quarterly Finance Report April to December 2018**

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<b>The Reason for the Decision</b>	Quarterly Finance Report April to December 2018 [Quarter 3]
<b>Summary of options considered</b>	This report informs members of the Council's financial performance against budget for the period April to December 2018 along with the forecast position to 31 March 2019.
<b>Recommendations</b>	That the contents of the report are noted.
<b>Financial / Resource Implications</b>	Financial issues and implications are included within the main body of this report.
<b>Legal / Governance Implications</b>	None directly
<b>Community Safety Implications</b>	None directly
<b>Health and Safety and Risk Management Implications</b>	Regular monitoring of financial performance forms an integral part of the framework of financial controls and procedures used by the Council to manage financial risks.
<b>Equality Duty considered / Impact Assessment completed</b>	N/A
<b>Wards Affected</b>	All
<b>The contribution this decision would make to the Council's priorities</b>	Sound financial management is essential to successful delivery of the Council's financial plans, achievement of value for money and the stewardship and safeguarding of public money.
<b>Is this a Key Decision</b>	No
<b>Portfolio Holder</b>	Councillor Barbara Cannon
<b>Lead Officer</b>	Catherine Nicholson Head of Financial Services Ext No. 20600 <a href="mailto:catherine.nicholson@allerdale.co.uk">catherine.nicholson@allerdale.co.uk</a>

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## Report Implications

Community Safety	N	Employment (external to the Council)	N
Financial	Y	Employment (internal)	N
Legal	N	Partnership	N
Social Inclusion	N	Asset Management	N
Equality Duty	N	Health and Safety	N

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## 1. Introduction

- 1.1 The Council's Financial Regulations require the Section 151 Officer (Head of Financial Services) to report regularly, (at least quarterly) to Executive, the latest financial position against budget.
- 1.2 This report outlines for the Council's Revenue budget (section 2) and Capital budget (section 6):
- actual (net) expenditure during the period April to December 2018
  - the projected net expenditure (full year forecast/forecast outturn) against budget for the year to 31 March 2019 (section 2)
  - reasons for significant variances (+/- £30k) between the full year forecast actual expenditure and the approved estimates (budget) for 2018-19.
- 1.3 This report also provides:
- details of forecast expenditure on projects funded from earmarked reserves (section 4)
  - a summary forecast income from business rates, council tax and non-specific (un-ringfenced) grants (section 5)
  - a summary of the impact of the forecast outturn position on earmarked reserves and general fund balances (section 7)
  - details of treasury management activity and confirmation of compliance with the Treasury and Prudential Indicators included in the Council's Treasury Management Strategy Statement (section 8)
  - an overview of insurance activity during the period (section 9)
  - performance information relating to sundry debtors income and write offs, payment of creditor invoices and the collection of council tax and business rates income (section 10).

## Key Messages

1.4 The headline messages at the end of quarter 3 of 2018-19 are:

### Revenue Budget

- (i) Expenditure from the revenue budget, excluding projects funded from earmarked reserves, is forecast to exceed budget by £105k
- (ii) Income from Taxation & Government Grants is forecast to exceed budget by £168k
- (iii) This projected outturn position would result in a reduction to the amount of general fund balance required to finance the revenue budget.

### Earmarked Reserves Budget

- (iv) A forecast underspend against the budgeted use of Reserves
- (v) This is largely reflecting changes in the anticipated timing of expenditure from reserves and the full balance of those reserves is expected to be spent in future financial years, meaning there is no saving/additional resources as a result.

### Capital Budget

- (vi) Expenditure from the capital budget is forecast to underspend by £1.712 million
- (vii) The forecast reprofiling of expenditure to subsequent financial years is £1.516 million
- (viii) The results in an underspend of £196k

### Treasury Management

- (ix) Treasury management activities were carried out in accordance with the Council's treasury management and investment strategies
- (x) No new external borrowing was undertaken

## 2. Summary of Projected Revenue Outturn Position

2.1 Table 1 shows, as at the end of December 2018, the Council's overall projected 2018-19 revenue outturn position. It shows:

### Revenue Budget Expenditure

- net budgeted expenditure of £15.08 million
- a projected outturn (including contributions to reserves) of £15.19 million
- a projected variance for the year to March 2019 of £105k.
- income from Taxation & Government Grants is expected to exceed budget by £168k
- a £63k reduction to the amount of general fund balance required to finance the 2018-19 revenue budget.

### Earmarked Reserves Budget

- budgeted expenditure of £1.77 million
- a projected outturn of £1.28 million
- a projected underspend against the earmarked reserves budget of £490k, largely reflecting changes in the anticipated timing of expenditure from reserves and these amounts are now expected to be spent in future financial years

**Table 1 - Summary of Projected Outturn against Annual Budget**

	Budget £'000	Projected Outturn £'000	Projected Variance £'000	Report Ref.
Net Expenditure on Services	13,060	13,165	105	
Parish Precepts	2,024	2,024	0	
<b>Net Expenditure on Services</b>	<b>15,084</b>	<b>15,189</b>	<b>105</b>	Section 3
Expenditure on Earmarked Priorities	1,767	1,277	(490)	
<b>Total Net Expenditure</b>	<b>16,851</b>	<b>16,466</b>	<b>(385)</b>	
Less: Planned use of earmarked balances	(1,767)	(1,277)	490	Section 4
<b>Net Budget Requirement/ Outturn</b>	<b>15,084</b>	<b>15,189</b>	<b>105</b>	
<b>Funding:</b>				
Taxation & Government Grants	14,160	14,328	168	Section 5
Release of earmarked balances	500	500	0	
Contribution from/to General Fund	424	361	(63)	Section 7
<b>Total Funding</b>	<b>15,084</b>	<b>15,138</b>	<b>54</b>	

### 3. Analysis of Net Expenditure on Services against Budget

3.1 A summary of the projected outturn variance (£105k) by portfolio is shown in Table 2.

**Table 2 – Summary of variance by Portfolio**

	Annual Budget	Projected Outturn	Planned contribution to reserve	Projected Variance
	£'000	£'000	£'000	£'000
Leader of the Council	1,220	1,224	0	4
Economic Growth	(1,563)	(1,624)	0	(61)
Corporate Resources	5,894	5,861	0	(33)
Housing, Health & Well-being	876	886	0	10
Environmental Quality	3,136	3,315	25	204
Governance & People Resources	1,271	1,248	35	12
Tourism & Culture	384	396	0	12
Transformation	1,842	1,799	0	(43)
Parish Precepts	2,024	2,024	0	0
<b>Total</b>	<b>15,084</b>	<b>15,129</b>	<b>60</b>	<b>105</b>

3.2 A breakdown and analysis of significant variances (i.e. full year forecast of +/- £30k) by portfolio area is set out in the following paragraphs.

#### Economic Growth Portfolio

3.3 The forecast net variance against the Economic Growth portfolio budget is £60,828 (favourable). Significant variances underlying the current forecast outturn position are summarised in the following table.

**Table 3 – Economic Growth significant variances**

Service/Activity	Gross Variance adverse/ (favourable) £	Contr. to Reserves £	Net Variance adverse/ (favourable) £	Para.
Camping & Caravan Site	(51,261)	0	(51,261)	3.4
Planning and Development	38,723	0	38,723	3.6
<b>Sub Total</b>	<b>(12,538)</b>	<b>0</b>	<b>(12,538)</b>	
Activity variances not exceeding +/- £30k	(48,290)	0	(48,290)	
<b>Total variance</b>	<b>(60,828)</b>	<b>0</b>	<b>(60,828)</b>	

### **Camping & Caravan Site: (favourable variance £51,261)**

- 3.4 Current forecast income is based on the interim statement provided by the Camping and Caravan Club in January 2019. This shows an increase in forecast profitability for the site above what had been projected for the budget, mainly due to the additional income following exceptional summer weather having a bigger impact on profitability than had been expected.
- 3.5 Until the statement is finalised, there is a risk that income from the site could reduce and that the Council's share of that income could fall as a result.

### **Planning and Development (adverse variance £38,723)**

- 3.6 The projected variance is as a result of a shortfall in expected planning income. The current projection assumes there will be a reduction in the value of budgeted major planning applications received and processed this year.
- 3.7 However, the demand led and inherently volatile nature of this income stream means further changes to the forecast amount of planning income could be seen before the end of the financial year.

## **Corporate Resources**

- 3.8 The forecast net variance against the Corporate Resources portfolio is £32,338 (favourable). Significant variances underlying the current forecast position are summarised in the following table.

**Table 4 – Corporate Resources significant variances**

<b>Service/Activity</b>	<b>Gross Variance adverse/ (favourable) £</b>	<b>Contr. to Reserves £</b>	<b>Net Variance adverse/ (favourable) £</b>	<b>Para.</b>
Banking and interest	(46,846)	0	(46,846)	3.9
<b>Sub Total</b>	<b>(46,846)</b>	<b>0</b>	<b>(46,846)</b>	
Activity variances not exceeding +/- £30k	14,508	0	14,508	
<b>Total variance</b>	<b>(32,338)</b>	<b>0</b>	<b>(32,338)</b>	

### **Banking and interest (favourable variance £46,846)**

- 3.9 The reported variance is underpinned by:
- £12k reduction in PWLB borrowing costs reflecting changes to the expected timing of capital expenditure funded from borrowing across financial years and the associated changes to external borrowing requirements.
  - £34k increase in the interest earned from investments reflecting higher cash balances than previously anticipated.

## Environmental Quality

- 3.10 The forecast net variance against the Environmental Quality portfolio budget is £203,233 (adverse). Significant variances underlying the current forecast position are summarised in the following table.

**Table 5 – Environmental Quality significant variances**

Service/Activity	Gross Variance adverse/ (favourable) £	Contr. to Reserves £	Net Variance adverse/ (favourable) £	Para.
Trade Waste	50,750	0	50,750	3.11
Recycling	36,250	0	36,250	3.12
Waste Contract (2019)-Operational Costs	33,375	0	33,375	3.13
Community Services Pay Group	57,717	0	57,717	3.16
<b>Sub Total</b>	<b>178,092</b>	<b>0</b>	<b>178,092</b>	
Activity variances not exceeding +/- £30k	25,141	0	25,141	
<b>Total variance</b>	<b>203,233</b>	<b>0</b>	<b>203,233</b>	

### Trade Waste (adverse variance of £50,750)

- 3.11 The variance is due to a shortfall in forecast income when compared to budget. The Authority has secured a number of new contracts through this financial year to date. However this increase in income has been offset by a reduction in income as a result of customers reviewing their collection frequency and container size requirements.

### Recycling (adverse variance of £36,250)

- 3.12 The main reason for the variance is an increase in the number of replacement bins being issued to households. This increase in requests is currently being investigated by Community Services and procedures will be reviewed and updated in line with the findings. In addition the implementation of the Whitespace software in 2019-20 is expected to provide an improved monitoring tool for bin replacement requests.

### Waste Contract (2019)-Operational Costs (adverse variance of £33,375)

- 3.13 Following award of the waste contract agreement has been made with the contractor to replace the existing waste management planning and information management system used by the Council and the contractor. The capital costs associated with the acquisition of the replacement software solution will be met by repurposing £29k no longer required to meet the cost of vehicle purchases from the existing vehicle acquisitions capital budget. The £33k revenue expenditure, relates to one-off implementation costs that were not included in the revised budget and will therefore result in a corresponding overspend.

### **Community Services Pay Group (adverse variance of £57,717)**

- 3.14 The majority of this overspend relates to one-off costs associated with implementing the new Community Services structure. This new structure has been put in place to ensure the team can deliver on priorities within the council plan and to achieve more efficient ways of working, as well as delivered an annual saving from 2019-20 onwards.

#### **Potential costs not reported as a variance**

- 3.15 The current waste collection and street cleansing contract includes a requirement for any surplus generated by the contractor in delivery of the contract to be held in a joint fund.

A surplus is generated when the costs incurred by the contractor in the delivery of the contract are lower than the contract price, or where additional income has been received by the contractor.

Where the contractor's costs are higher than the contract price a deficit is generated which is then financed by this joint fund.

Any excess surplus can then be used for 'service improvements' which are agreed to jointly by both the contractor and Allerdale.

The service improvements which have been undertaken include the extension of the purple bag scheme to additional households and the employment of 4 additional apprentices each year for two years.

The exact position on this joint fund will only be known upon completion of the contract on 31<sup>st</sup> March 2019. The most up to date projections show a deficit.

These estimates will continue to be updated and reviewed as part of regular meetings with the contractor but there is potential that Allerdale will be responsible costs of £65k.

#### **Other portfolios**

- 3.16 At the end of quarter 3 there were no significant variances (i.e. variances of +/- £30k) to report within the following portfolios:
- Leader of the Council
  - Governance & People Resources
  - Housing, Health & Wellbeing
  - Tourism & Culture
  - Transformation



## 4. Projects funded from Earmarked Reserves

- 4.1 The balance in earmarked reserve of £3,804k, comprises:
- £2,372k held for service expenditure
  - £500k to be released to support the Council's strategic priorities
  - £932k held for accounting purposes or as contingency against specified risks
- 4.2 Against the balance of £2,372k (reserves held for service expenditure) the profiled spend identified for 2018-19 is £1,767k. The remaining balance is profiled to be spent in 2019-20 and subsequent financial years.
- 4.3 The current projected outturn for 2018-19 is £1,277k, meaning there is a potential underspend of £490k at the end of quarter 3.
- 4.4 All of this underspend is due to a change in the timing of expenditure and will be spent in future financial years, meaning there is no saving/additional resources as a result.

**Table 6 - Summary of projected expenditure from earmarked reserves**

Reserve Funded projects	Reserve Balance £'000	Revised Budget £'000	outturn £'000	Variance £'000	Re-profiled to/(from) future years £'000	saving £'000
Leader of the Council	558	329	329	0	0	0
Economic Growth	114	114	114	0	0	0
Corporate Resources	189	83	83	0	0	0
Housing, Health & Wellbeing	844	798	359	(439)	439	0
Locality & Environmental Quality	115	90	90	0	0	0
Governance & People Resources	282	145	94	(51)	51	0
Tourism & Culture	92	48	48	0	0	0
Transformation	178	160	160	0	0	0
<b>Total held for service expenditure</b>	<b>2,372</b>	<b>1,767</b>	<b>1,277</b>	<b>(490)</b>	<b>490</b>	<b>0</b>
Released to support the Council's strategic priorities	500	500	500	0	0	0
Accounting/Contingent reserves	932	0	0	0	0	0
<b>Total Reserves</b>	<b>3,804</b>	<b>2,267</b>	<b>1,777</b>	<b>(490)</b>	<b>490</b>	<b>0</b>

- 4.5 The main underspend relates to the community housing fund reserve. This reserve was created from grant funding provided to support community led housing schemes. The timing of expenditure relies on the progress of various schemes and organisations that we are working with to deliver community led housing. The profiling of the budget to 2018-19 assumed that all projects would be at a stage where final payments would be made this financial year, but that is no longer expected to be the case due to reasons outside of our control. The Pow Wood, Keswick Youth Centre and Keswick Methodist projects are not expected to continue into 2019-20.

## 5. Taxation and Non-specific grant income

5.1 Details of the Council's taxation and non-specific grant income and expenditure for the year compared with budget, are shown in the following table. This includes income received from:

- Non-ring fenced government grants such as Revenue Support Grant and New Homes Bonus
- Council tax and Non Domestic Rates (NNDR).

**Table 7 -Taxation and Non-specific grant income**

	Original Budget	Revised Budget	Change £'000	Para
Revenue support grant	652	652	0	-
Rural Services Delivery Grant	325	325	0	-
New Homes Bonus	1,004	1,004	0	-
Levy Account Surplus Allocations	0	55	55	5.3
Other	0	6	6	-
Council tax – excluding parish element	5,100	5,100	0	-
Council tax - parish precepts	2,024	2,024	0	
Collection fund surplus/(deficit) - Council Tax	91	91	0	-
NNDR funding	4,964	5,071	107	5.6
	<b>14,160</b>	<b>14,273</b>	<b>168</b>	

5.2 Additional income of £168k is projected in respect of income from Taxation and Non-specific grant income. The two main sources of additional income are from the Levy Account Surplus Allocations (£55k) and National Non Domestic Rates funding (£107k), both of which are explained below.

### **Levy Account Surplus Allocations**

5.3 National Non-Domestic Rates data published on 21 November 2018 confirmed that, as a result of growth in business rates collected by authorities in 2017-18 and the associated levy payments, there is a surplus of £195m in the 2018-19 national levy account.

5.4 The Governments intention to distribute the majority of the surplus to local authorities was announced as part of the provisional local government finance settlement for 2019-20.

5.5 The Authority's share of this allocation is £55,184. The Final Settlement, published at the end of January 2019, indicates that this allocation will be distributed to Authorities in 2018-19.

## **National Non Domestic Rates funding**

- 5.6 The most volatile area of funding in-year remains the National Non Domestic Rates and this is the source of the majority of this years additional income (107k).
- 5.7 A summary of the NNDR income included in the 2018-19 budget and the forecast income to be credited to the Council's general fund in 2018-19, is shown in the table below.

**Table 8- NNDR funding 2018-19**

<b>Funding element</b>	<b>Approved Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
<b>Fixed Elements:</b>			
Allerdale Share of NNDR Income	11,075	11,075	0
Renewable Energy 'disregard' retained by billing authority	557	557	0
Net tariff payable to Central Government	(7,135)	(7,135)	0
Share of estimated collection fund deficit	(564)	(564)	0
<b>'Fixed' element of NNDR income</b>	<b>3,933</b>	<b>3,933</b>	<b>0</b>
<b>Variable Elements:</b>			
Section 31 grant	1,600	1,701	101
Levy payable (net of reduction under pool arrangements)	(569)	(563)	6
<b>Variable element of NNDR income</b>	<b>1,031</b>	<b>1,138</b>	<b>107</b>
<b>Total Fixed &amp; Variable Elements</b>	<b>4,964</b>	<b>5,071</b>	<b>107</b>

- 5.8 Additional income of £107k is expected to be received through the NNDR funding system is mainly as a result of the government announcing that they will be providing additional section 31 grant funding. This is due to the existing methodology for calculating these grants not fairly compensating local authorities for the loss of income that resulted from the changes made to small business rate relief.

## **6. Capital budget**

- 6.1 The current capital budget is £9.590 million, comprising:
- £8.970 million approved revised budget for 2018-19
  - £0.620 million change to the profiling of the Waste Contract budget approved by Council on 30 January 2019
- 6.2 The projected Capital Outturn position for 2018-19 is summarised in table 9. This shows:
- a projected outturn position of £7.878 million
  - an underspend compared to the budget of £1.712 million
  - budget carry forward requests (re-profiling adjustments) of £1.516 million
  - resulting in an underspend of £196k.

6.3 This underspend will result in:

- the use of £128k additional grant income provided by central government to support additional DFG expenditure
- £16k reduction in budgeted grant income for Harrington nature reserve
- £3k additional contribution from revenue in relation to Harrington nature reserve
- £311k reduction in borrowing

**Table 9 –Capital Programme – Projected Outturn by Portfolio**

	Current Budget £'000	Outturn £'000	Outturn Variance £'000	Re-profiled £'000	Variance £'000
<b>Capital Expenditure</b>					
Economic Growth	2,296	1,198	(1,098)	1,098	0
Corporate Resources	269	100	(169)	169	0
Housing, Health & Wellbeing	2,349	2,298	(51)	159	108
Environmental Quality	4,476	4,104	(372)	68	(304)
Tourism & Culture	160	138	(22)	22	0
Transformation	40	40	0	0	0
<b>Total - Capital Expenditure</b>	<b>9,590</b>	<b>7,878</b>	<b>(1,712)</b>	<b>1,516</b>	<b>(196)</b>
<b>Capital Financing</b>					
Capital Grants	2,872	2,257	(615)	727	112
Capital Receipts	177	112	(65)	65	0
Earmarked Reserves	16	16	0	0	0
Revenue Budget	4	7	3	0	3
General Fund Balances	453	404	(49)	49	0
Borrowing	6,068	5,082	(986)	675	(311)
<b>Total - Capital Funding</b>	<b>9,590</b>	<b>7,878</b>	<b>(1,712)</b>	<b>1,516</b>	<b>(196)</b>

## Key Variances

6.4 Details of key variances are set out in the following paragraphs.

### Economic Growth

6.5 The forecast variance against the capital budget for the Economic Growth portfolio is £1.098m. This is matched by expected budget carry forwards of £1,098m, leaving no overall variance.

**Table 10 Economic Growth**

	<b>Outturn Variance £'000</b>	<b>Budget C/F £'000</b>	<b>Variance £'000</b>
Reedlands Road Development	(1,073)	1,073	0
Kirkgate Centre Contribution	(25)	25	0
<b>Total</b>	<b>(1,098)</b>	<b>1,098</b>	<b>0</b>

**Reedlands Road Development (underspend of £1.071m to be carried forward to 2019-20)**

- 6.6 The spend profile for the overall project was not finalised when the budget was approved, with the profile used for the budget being based on projections provided by the external project managers.
- 6.7 Since producing this profile a number of additional surveys have been identified following appointment of the main contractor, who has requested that they undertake their own surveys rather than relying on those already available.
- 6.8 Once the survey results are available the external project managers, in conjunction with the main contractor, will produce a final programme and spend profile.
- 6.9 The funders (MHCLG) are aware of this and are to be issued with a change request once this final programme and spend profile is available.

**Kirkgate Centre Contribution (underspend of £25k to be carried forward to 2019-20)**

- 6.10 A budget of £100k is available to enable the Council to make a capital contribution to support the financing of a project at the Kirkgate Arts and Heritage Centre.
- 6.11 Two associated funding bids have been unsuccessful and the planned HLF bid will not be submitted until 2019. If this scheme goes ahead then our contribution will not be paid until 2019-20.
- 6.12 £75k of this budget has been utilised for other priorities in 2018-19, but will be made available from the strategic priorities budget in 2019-20 to ensure the £100k budget remains available should this scheme go ahead.
- 6.13 The remaining £25k budget will need to be reprofiled to 2019-20.

**Corporate Resources**

- 6.14 The capital budget for the Corporate Resources portfolio is currently forecast to be underspent by £169k. This is expected to be matched by expected budget carry forwards of £169k, leaving no overall variance.

**Table 11 Corporate Resources portfolio variances**

	<b>Outturn Variance £'000</b>	<b>Budget C/F £'000</b>	<b>Variance £'000</b>
Public Toilets Review Works	(104)	104	0
Helena Thompson Museum Development	(65)	65	0
<b>Total</b>	<b>(169)</b>	<b>169</b>	<b>0</b>

**Public Toilets Review Works (underspend of £104k to be carried forward to 2019-20)**

- 6.15 The remaining budget of £104k was expected to be used in 2018-19 for ongoing transfers / disposals at Aspatria, Grange and Allonby. This process is taking longer than expected and requires the agreement of external partners. This budget is not expected to be used in 2018-19 but will be carried forward to 2019-20 to allow the scheme to continue.

**Helena Thompson Museum Development (underspend of £65k to be carried forward to 2019-20)**

- 6.16 This budget will be used for capital enhancement works to the Museum and the budget is profiled to straddle the current and next financial year.
- 6.17 Work to be carried out in 2018-19 were expected to focus on addressing some of the issues outside of the building, such as surfacing within the court yard entrance.
- 6.18 However, changes to the planned programme of works mean the scheme will also involve undertaking work to the inside of the property at the same time. This work can only progress within a timescale that suits the operator. Consultants will be appointed by the end of February and the preferred timescale for the work has been agreed as July/August with any remaining budget from 2018-19 re-profiled to 2019-20.

## **Housing, Health & Wellbeing**

- 6.19 The capital budget for the Housing, Health & Wellbeing portfolio is currently forecast to be underspent by £51k. The expected budget carry forwards are £159k, leaving an overspend of £108k.

**Table 12 Health & Wellbeing portfolio variances**

	<b>Outturn Variance £'000</b>	<b>Budget C/F £'000</b>	<b>Variance £'000</b>
The Mandatory Disabled Facilities Grant	128	0	128
Healthy Homes (Empty Homes)	(68)	68	0
Securing Affordable Homes	(20)	0	(20)
Housing Improvement Projects	(91)	91	0
<b>Total</b>	<b>(51)</b>	<b>159</b>	<b>108</b>

### **The Mandatory Disabled Facilities Grant (overspend of £128k)**

- 6.20 The overspend of £128k is due to additional DFG grant income being received by central government. This grant has to be spent by the end of the current financial year and has allowed DFG grants to be provided that would otherwise have been put on hold until 2019-20 (when the next tranche of funding was expected to be received).
- 6.21 As this is fully funded by central government grant, it will have no impact on Allerdale resources.

### **Healthy Homes (Empty Homes) (underspend of £68k to be carried forward to 2019-20)**

- 6.22 The budget is fully allocated but final payment is only made on completion of the works and the properties becoming occupied. These are expected to be complete and payment made in 2019-20.

### **Securing Affordable Homes) (underspend of £20k)**

- 6.23 The scheme was budgeted to provide five grants per year, but none have been approved or paid during 2018-19. The element of the budget funded from housing grants has been re-allocated to support the DFG budget, which has allowed DFG grants to be provided that would otherwise have been put on hold until 2019-20. The remaining £20k budget funded from borrowing has been identified as a saving and will reduce the need to borrow in 2018-19.

### **Housing Improvement Projects (underspend of £91k to be carried forward to 2019-20)**

- 6.24 Most of the expenditure incurred during 2018-19 has been used for the development of High Street, Maryport, with work now complete on that project.
- 6.25 The remaining budget has been allocated to Senhouse Street, Maryport. A number of options are being considered for this scheme and the budget will be carried forward to allow the scheme to be developed and progressed in 2019-20.

### **Environmental Quality**

- 6.26 The capital budget for the Environmental Quality portfolio is currently forecast to be overspent by £248k. Budget carry forwards are expected to total £68k, resulting in an overspend of £316k

**Table 13 Environmental Quality portfolio variances**

	<b>Outturn Variance £'000</b>	<b>Budget C/F £'000</b>	<b>Variance £'000</b>
Harrington reservoir	(12)	0	(12)
Brow-Top Enhancement Schemes	(48)	48	0
Car Park - signage and equipment	(20)	20	0
Vehicle and wheeled bin acquisition costs	(292)	0	(292)
<b>Total</b>	<b>(372)</b>	<b>68</b>	<b>(304)</b>

### **Harrington reservoir (underspend of £12k)**

- 6.27 This scheme is now complete and has cost slightly less than had been budgeted for. This underspend has resulted in a reduction to the amount of grant received from external parties. This reduction in grant income left a £3k shortfall in the financing which was met from an existing revenue budget, meaning there is no impact on Allerdale capital resource or the need to borrow.

### **Brow-Top Enhancement Schemes (underspend of £48k to be carried forward to 2019-20)**

- 6.28 The spend profile for the project cannot be finalised until a contract is awarded. Invitations to tender for this scheme were issued early January 2019 and works will be programmed over the current and next financial year.
- 6.29 This is later than had been assumed in the budget setting process due the time taken to get the project to a suitable stage for tender

### **Car Park - signage and equipment (underspend of £20k to be carried forward to 2019-20)**

- 6.30 This budget covers the cost of the replacement Pay and Display machine scheme, the acquisition of new safes and a coin counting machine for the cash room and improvements to car park signage.
- 6.31 The requirements for the improvement to car park signage has been finalised. However the lead time for car park signage will impact on the overall spend profile of this budget.

### **Vehicle and wheeled bin acquisition costs (underspend of £292k)**

- 6.32 The current budget is based on the updated profiling as approved by Council on 30th January 2019. This change was required following award of the contract and commencement of the mobilisation work which resulted in revisions to the timetable for the purchase of recycling containers and their subsequent delivery to households. These changes brought forward the existing timetable in order to ensure recycling containers are purchased and distributed to households ahead of the commencement of the new service in 2019-20, rather than being phased in during 2019/20.
- 6.33 A saving of £292k is currently projected against this re-profiled budget due to:
- £321k reduction in the budget required for vehicle and bin acquisitions
  - £29k additional budget required to meet the capital costs associated with the acquisition of the WhiteSpace software

### **Tourism & Culture**

- 6.34 The capital budget for the Tourism & Culture portfolio is currently forecast to be underspent by £22k. Budget carry forwards are expected to total £22k, leaving no overall variance.



**Table 14 Tourism & Culture portfolio variances**

	<b>Outturn Variance £'000</b>	<b>Budget C/F £'000</b>	<b>Variance £'000</b>
Solway Coast Pathway	(22)	22	0
<b>Total</b>	<b>(22)</b>	<b>22</b>	<b>0</b>

### **Solway Coast Pathway (Underspend of £22k to be carried forward to 2019-20)**

- 6.35 This budget is profiled to span over the current and next financial year. There are a number of tasks that need to be undertaken in 2018-19 before works can start in 2019-20. The tasks to be undertaken in the current financial year relate to securing planning permission for the scheme. Sufficient budget was profiled to 2018-19 to take account of these tasks, but not all of that budget is expected to be required and will be re-profiled to 2019-20.

## **7. Impact on General Fund and Earmarked Reserve Balances**

- 7.1 The impact of current budget forecasts on the Council's general fund and earmarked general fund balances (earmarked reserves) is summarised in the following table. The opening balance and budget use of reserve has been updated to reflect the position report as part of the 2017-18 outturn.

**Table 15 - Movement in Balances**

	<b>Budget</b>		<b>Projected</b>	
	<b>General Fund £'000</b>	<b>Earmarked Reserves £'000</b>	<b>General Fund £'000</b>	<b>Earmarked Reserves £'000</b>
<b>Opening Balances</b>	<b>4,921</b>	<b>3,804</b>	<b>4,921</b>	<b>3,804</b>
Transfers to/(from) Reserves:	0	0		0
Release of E/M to GF	0	0	0	0
Use for capital programme	(453)	(16)	(404)	(16)
Use to support Revenue Budget	(424)	(1,751)	(529)	(1,261)
Release to support Corporate Priority budget		(500)		(500)
Planned to Earmarked Reserves	0	60	0	60
Requested to Earmarked Reserves	0	0	0	0
Additional Taxation and Government Grants to Earmarked Reserves	0	0	168	0
<b>(Increase)/Decrease in Balance</b>	<b>(877)</b>	<b>(2,207)</b>	<b>(765)</b>	<b>(1,717)</b>
<b>Balance at 31 March 2018</b>	<b>4,044</b>	<b>1,597</b>	<b>4,156</b>	<b>2,087</b>
Approved use for 2018-19 capital programme – forecast budget carry forward	0	0	(49)	0
Retained - Minimum Balance	(2,700)	0	(2,700)	0
<b>Available for Use</b>	<b>1,344</b>	<b>1,597</b>	<b>1,407</b>	<b>2,087</b>

## **Impact on General Fund Balances**

- 7.2 This reserve plays an important part in managing unforeseen risk and cash flow management of the Authority. At the end of quarter 3, the projected revenue and capital outturns for the year to March 2019 will result in a net reduction in the Council's general fund balance of £765k compared to the budgeted reduction of £877k, which is a favourable position.

## **Impact on Earmarked Reserves**

- 7.3 The profiled spend from earmarked reserves for 2018-19 is £2,267. The current projected outturn for 2018-19 is £1,777k. This reduction in expenditure is as a result of changes to the expected timing of expenditure from reserves associated with the shortfall in expenditure for 2018-19, that will now be spent in future financial years.

## **8. Treasury Management**

### **Treasury Management activity**

- 8.1 A summary of treasury management activity during the three months to 31 December and year to date, including details of investment and borrowing transactions and information about the Council's investment and loans portfolios is contained in Appendix N. During the quarter ending 31 December 2018 and year to date
- Treasury management activities were carried out in accordance with the Council's treasury management and investment strategies
  - No new external borrowing was undertaken.

### **Treasury and Prudential Indicators**

- 8.2 The Local Government Act 2003 requires the Council to determine and keep under review, limits on how much money it can afford to borrow by way of loans and other forms of credit. The processes the Council must follow in setting these limits (the 'Authorised Limit for External Debt') is set out in the Prudential Code for Capital Finance in Local Authorities to which the Council is required to 'have regard to' under provisions contained in the 2003 Act. In addition to the Authorised Limit, CIPFA's Prudential and Treasury Management Codes and accompanying sector guidance, include a number of other key treasury management indicators designed to support and record local decision making in connection with capital and treasury activities.
- 8.3 The Council's Authorised Borrowing Limit (the statutory limit on borrowing under the Local Government Act 2003), Operational Boundary (the limit beyond which external debt is not expected to exceed) and other indicators and limits required by CIPFA's Prudential and Treasury Management Codes were set out in the Council's Treasury Management Strategy Statement and Investment Strategy for 2018-19. This was approved by the Full Council on 7 March 2018.

- 8.4 During the quarter ended 31 December 2018, the Council has operated within the limits established by the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement 2018-19.

## 9. Insurance

- 9.1 A summary of claims lodged and closed between 1 April 2018 and 31st December 2018 is set out in the table below.

**Table 16 - Insurance claims 3 months to 30<sup>th</sup> December 2018**

	No. Claims b/f	No. Closed to date	No. Lodged to date	No. Claims Outstanding
Public Liability	9	9	5	5
Employers Liability	1	1	0	0
Other	2	1	1	2
Property Damage and Motor	4	3	3	4
Municipal Mutual (1974 to 1993)	1	0	0	1
	<b>17</b>	<b>14</b>	<b>9</b>	<b>12</b>

- 9.2 The cost of claims settled during the financial year to date is £79,185, of which £9,500 is payable by Allerdale in 2018-19.
- 9.3 The cost of outstanding claims is estimated at £62,812. Allerdale's liability is limited by our insurance excess meaning the cost to Allerdale is £15,960.
- 9.4 This gives an estimated cost to Allerdale in 2018-19 of £25,460 against a provision of £107,117 set aside to meet the Authority's liabilities arising from insurance claims (including insurance 'excess' payable).
- 9.5 This leaves a remaining unallocated provisions balance of £81,657. This balance is expected to be sufficient to meet liabilities arising from additional claims that may be received in relation to incidents incurred but not reported (IBNRs).

## 10. Working Capital Management

### Sundry Debtors and Write-offs

- 10.1 The outstanding sundry debt (including Trade Refuse) at 31 December 2018, was £539,932, which is detailed in the following table:

**Table 17 - Outstanding Debtors at 31 December 2018**

	Total debt outstanding £	Not past due £	30 Days past due £	60 Days past due £	>90 Days past due £
<b>At 30<sup>th</sup> Dec 2017</b>	505,697	243,652	39,189	20,545	202,311
% debt	100%	48%	8%	4%	40%
<b>At 31<sup>st</sup> March 2018</b>	703,224	467,929	22,146	19,724	193,425
% debt	100%	67%	3%	3%	27%
<b>At 30<sup>th</sup> June 2018</b>	1,693,320	1,374,552	82,634	27,895	208,239
% debt	100%	81%	5%	2%	12%
<b>At 30<sup>th</sup> Sept 2018</b>	572,194	326,920	19,151	32,763	193,360
% debt	100%	57%	3%	6%	34%
<b>At 31<sup>st</sup> Dec 2018</b>	539,932	218,378	78,154	48,898	194,502
% debt	100%	41%	14%	9%	36%

- 10.2 Approximately £194,502 or 36% of the outstanding debt is over 90 days old. The level of debt falling into this category compares favourably when compared to the same time last year.
- 10.3 This includes those amounts that are subject to a payment plan or where recovery has been secured through charging orders as well as those subject to ongoing recovery action.
- 10.4 A provision of £127k is available to off-set the impact of non-recoverable debt balances, which protects the Councils general fund from any significant impact should debts be found to be unrecoverable.
- 10.5 A total of 23 sundry debtor/trade waste invoices amounting to £1,584 have been written off between April and December 2018.

**Table 18 - Write off of debtors**

	2016-17 Quarter 3		2017-18 Quarter 3		2018-19 Quarter 3	
	No invoices	Total £	No invoices	Total £	No invoices	Total £
Sundry Debtors	58	18,328	64	7,186	12	811
Trade Waste	143	(3,056)	56	2,898	11	773
<b>TOTAL</b>	<b>201</b>	<b>15,272</b>	<b>120</b>	<b>10,084</b>	<b>23</b>	<b>1,584</b>

**Payment of Creditor Invoices**

- 10.6 The Authority has a target to pay 98% of invoices from suppliers located within the Allerdale postal area within 14 days of receipt and 98% of non-Allerdale supplier invoices within 30 days.
- 10.7 95% of Allerdale supplier invoices were paid within 14 days. Although slightly behind target, performance has continued to improve when compared to the same period last year (which was 85%).
- 10.8 The 98% target was achieved for non Allerdale supplier invoices, with only 3 invoices being paid late.

**Table 19 – Summary of supplier invoices paid quarter 3**

Service Area	Allerdale			non Allerdale		
	Qtr 1 %	Qtr 2 %	Qtr 3 %	Qtr 1 %	Qtr 2 %	Qtr 3 %
Leader of the Council	95%	94%	100%	91%	100%	100%
Economic Growth	96%	93%	96%	96%	94%	100%
Corporate Resources	100%	98%	100%	99%	100%	100%
Housing, Health & Well-being	95%	92%	95%	99%	99%	98%
Environmental Quality	85%	97%	92%	94%	96%	98%
Governance & People Resources	84%	54%	87%	97%	100%	92%
Tourism & Culture	67%	92%	96%	88%	95%	97%
Transformation	94%	84%	96%	94%	97%	99%
<b>Total</b>	<b>92%</b>	<b>92%</b>	<b>95%</b>	<b>97%</b>	<b>98%</b>	<b>98%</b>

10.9 A summary of the reasons for delays in payment during quarter 3 is set below:

**Table 20 - Reasons for delay in payment of supplier invoices (Q3 2018-19)**

Reasons for delay	Number of invoices
Invoices received without a valid purchase order	6
Price discrepancy between invoice and purchase order requiring authorisation prior to payment	2
Purchase order was not goods received prior to receipt of invoice	8
Manual authorisation required (purchase order not required)	3
Other one-off instances which would not be a recurring issue.	0
Invoices sent directly to department or individual instead of the Invoice Section	15
<b>Total number subject to delayed payment</b>	<b>34</b>

10.10 Performance is improving and the target will continue to be monitored. Where issues are identified, these will be addressed and reported in future monitoring reports.

### **Council Tax and NNDR – collection statistics**

10.11 During the nine months to 30 December, collection rates for Council tax and NNDR were broadly in line with expectations.

**Table 21 – Council Tax and NNDR collection rates as at 31 December**

	Council Tax Collection %	NNDR Collection %	Q2 CTAX and NNDR as % of Full Year Collectable income
Q3 2018/19	85.42%	83.10%	84.63% -£71.6m (out of £84.6m)
Q3 2017/18	85.42%	83.93%	84.92% -£68.7m (out of £80.9m)
Q3 2016/17	85.42%	83.39%	84.71% -£66.5m (out of £78.5m)

**Catherine Nicholson**  
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