

TITLE OF REPORT: THIRD QUARTER REVENUE MONITORING 2015/16

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE
EXECUTIVE MEMBER: COUNCILLOR T.W. HONE

1. SUMMARY

- 1.1 The purpose of this report is to inform Cabinet of the summary position on General Fund income and expenditure for the period July to December 2015.
- 1.2 This report will highlight significant variances (+/- £25K or +/- 25%) on the working budget with explanations and impact upon next year's base budget.
- 1.3 The report also highlights, with the use of a traffic light system, the position with regard to the carry forward balances and efficiencies approved for the year.
- 1.4 Key items that greatly influence the 'financial health' of the Council are monitored and reported here as key Corporate Health indicators.

2. RECOMMENDATIONS

- 2.1 Cabinet is requested to ask any questions which may arise from the report's contents and note this report.
- 2.2 Cabinet is requested to approve the changes to the 2015/16 General Fund budget identified in paragraph 8.1, table 1, a £179k decrease in net expenditure.
- 2.3 Cabinet is requested to approve the changes to the 2016/17 General Fund budget identified in paragraph 8.1, table 1, a £295k increase in net expenditure.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Members are able to monitor and request appropriate action of Directorates who do not meet the budget targets set as part of the Corporate Business Planning process.
- 3.2 Changes to the Council's balances are monitored and approved.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Budget holders have considered the options to live within the existing budget but consider the variances reported here necessary and appropriate.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation on the budget monitoring is not required. Members will be aware that there is wider consultation on budget estimates during the corporate business planning process each year.

6. FORWARD PLAN

- 6.1 This Report does contain a recommendation on a key decision that was first included in the Forward Plan on 12 August 2015.

7. BACKGROUND

- 7.1 Council approved the General Fund 2015/16 estimates in February 2015 and approved General Fund net expenditure of £16.061million.
- 7.2 In addition to the 2015/16 original budget, Councillors subsequently approved further budget adjustments to a net total of £217k, resulting in a total working budget for 2015/16 of £16.278million. Full details of the adjustments are contained within the respective 2014/15 Third Quarter and Final Outturn revenue monitoring reports and appendices. These were approved at the March and June meetings of Cabinet respectively.
- 7.3 At 1st Qtr. the projected net expenditure on the General Fund was estimated to be £16.494million, this was a net increase on the working budget of £216k. A £110k increase to the base budget for 2016/17 was also reported.
- 7.4 Subsequent to the approval of the working budget at first quarter, a further adjustment to the working budget was made to incorporate Council approval of provision for a total of £70k revenue costs in relation to the Churchgate project. Expenditure provision of £40k was approved at full council on the 12th February 2015 and an additional £30k was approved at full council on the 16th July 2015. This increased the working budget to £16.564million.
- 7.5 At 2nd Qtr. the projected net expenditure on the General Fund was estimated to be £16.572million, this was a net increase on the working budget of £8k. A £205k increase to the base budget for 2016/17 was also reported. Corporate Board subsequently approved £42,300 of additional employee costs to support the Careline Service operations although it was expected that increased income would cover the costs.
- 7.6 At month 8 monitoring, included within the 2016/17 budget report presented to Cabinet in January, the projected net expenditure on the General Fund was estimated to be £16.370million; this was a net decrease on the working budget of £245k. A £115k increase to the base budget for 2016/17 was also reported, which included £262k of budget requested to be carried forward into 2016/17.
- 7.7 Subsequent to the approval of the working budget at month 8, a further adjustment to the working budget was made to incorporate Cabinet approval of revenue budget provision of a total of £67k in relation to the operation of Hitchin Town Hall. This expenditure provision was approved by cabinet on the 28th July 2015. This increased the working budget to £16.437million.

8. ISSUES

Executive Summary

Issue & Relevant Table	Comment
Net general fund expenditure for 2015/16 (Table 1)	Forecast net expenditure at 3rd Qtr. is £16.258million. This is a £179k (or 1.09%) decrease in the working budget and is £197k (or 1.22%) higher than the original budget. The decrease in working budget includes £129k of budgets requested to be carried forward into 2016/17.
Budgets Carried Forward from 2014/15 (Table 2)	Of the £464k of carry forward budgets into 2015/16 £225k (48%) has been spent by the end of the third quarter. There is one carry forward at amber status that may not be spent by the end of the year and six carry forwards at red status that will not be spent before the end of this financial year.
Achievement of Efficiencies (Table 3)	It is projected that the £185k of agreed efficiency proposals will be overachieved by £75k.
Key Financial Indicators (Table 4)	All five indicators are at green status.
General Fund Reserve Balance (Table 5)	The general fund reserve is now forecast to have a balance of £6.152million at 31 March 2016. This is £4.479million higher than the originally approved minimum balance of £1.673million, although remains within the limits set in the MTFS.
Allowance for financial risks (Table 6)	The budgeted minimum general fund balance of £1.673million included an allowance of £873k for known financial risks. As at the end of the third quarter £451k of these risks had been realised.
Earmarked Reserves (Table 7)	As at 1 April 2015 there was a balance of £4.937million in other useable earmarked reserves. The balance is forecast to be £4.649million at 31 March 2015.

General Fund – Income and Expenditure

- 8.1 The projected expenditure on the General Fund is now estimated to be £16.258million. This is a net decrease of £179k on the working budget of £16.437million. The significant changes (+/- £25K or +/- 25% of the working budget) to the General Fund expenditure are detailed in table 1. There is an increase in estimated spend in 2016/17 of £295k. This includes the request of the carry forward of £129k of budgets from 2015/16 to 2016/17 for projects which are not expected to be completed by the end of the financial year, details of which are included in table 1.

Table 1: Significant changes to the General Fund

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2016/17 Budget £'000
Corporate Budgets:					
Miscellaneous Income	0	-31	-31	Income received by NHDC that has remained in the suspense account for more than 12 months is routinely cleared and posted to a corporate code within the General Fund.	
On Street Parking:					
Lines and Signs	+63	+10	-53	Requested to carry forward remaining budget into 2016/17 to fund both the officer resource and continued implementation of the work programme following the completion of the lines and signs audit last year.	+53
Penalty Charge Notices Income	-283	-310	-27	Projected outturn is based on the level of income received from on street PCNs issued in the first three quarters of the year.	
Total	-220	-300	-80		+53
Revenues and Benefits:					
Computer Supplies & Materials	+25	+31	+6	Much of the £6k variance in 15/16 is funded from welfare reform grant received. It is requested that the £5k earmarked within the budget for e-billing software is carried forward into 2016/17, when the preferred option for postage arrangements should be known.	+5
NNDR Consultants	0	+82	+82	This expenditure, a third of which is being funded by HCC, is for the purchase of specialist software that identifies businesses that are not paying the correct level of NNDR. While the cost of the software is charged to the General Fund, the financial benefit will be reflected in the collection fund. To date, £184k of additional income has been identified through the software. Increased NNDR income both reduces the collection fund deficit	+82

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2016/17 Budget £'000
Grants, Reimbursements and Contributions – HCC	-4	-41	-37	and helps to reduce the levy payment to Central Government through increasing the Council's share of the pooling gain. The income variance reflects the County Council's contribution to various initiatives designed to increase income levels going through the Collection Fund.	-27
Council Tax Summons Bad Debt Provision	+40	+50	+10	The increase in the bad debt provision required is due to a change in the age profile of debt outstanding, with older debts representing a greater proportion of the total. This was included as a financial risk.	
Summons Fees Income	-353	-336	+17	All authorities were tasked by the courts to look at their summons fees to make sure the fees were cost recovery only. After undertaking a review, NHDC's fees have reduced from £80 for a Council Tax summons and £100 for an NNDR summons to £65 for both. The estimated full year impact is a £60k reduction in summons fee income relating to Council Tax and a £9k reduction in income from NNDR summons.	+69
Total Revs & Bens	-292	-214	+78		+129
Office Accommodation:					
Cleaning	+72	+57	-15	With the office decant to town lodge now to take place in the next financial year, additional cleaning has not been required in this financial year.	
Repairs and Maintenance	+105	+73	-32	More anticipated minor maintenance items have been undertaken within the remit of the compliance contract, resulting in a lower than expected turnover of non-compliance minor maintenance tasks.	
Premises Compliance Contract	+135	+120	-15	The move to a fully comprehensive contract has resulted in more controlled	

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2016/17 Budget £'000
Office Accommodation total	+312	+250	-62	expenditure on compliance maintenance, while the delay in opening the North Herts Museum and the extended period of reduced maintenance spend on the existing museum premises has also reduced the pressure on this provision.	
Planning Control:					
Legal Fees	+23	0	-23	This budget is requested to be carried forward into 2016/17, as a public inquiry into an NHDC planning decision concerning solar panels is due to be heard in June 2016.	+23
Pre-application Fee Income	-33	-61	-28	The increase in income reflects the higher than expected demand for pre-application advice. Demand in the following year may however be affected by the introduction of a new service by HCC Highways from April 2016 that will offer some of the information currently provided within the NHDC service offering.	
Total Planning Control	-10	-61	-51		+23
Planning Policy					
Economic Development Officer	+10	0	-10	It is anticipated to recruit to this post in the next financial year. £31k was approved to be carried forward at month 8 and it is now requested to carry forward the remaining budget for this post into 2016/17.	+10
Licensing					
Premises License Income	-106	-86	+20	The shortfall in licensing income follows the cancellation of an event that was planned to take place in 2015/16. This was identified as a financial risk.	
Private Sector Housing:					
Consultants	+11	0	-11	Requested to carry this budget forward to 2016/17. This budget will be used to provide information and analysis on the local housing market. This activity will be more effective once the Housing and Planning Act has come into effect and the implications for the local housing market become apparent.	+11

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2016/17 Budget £'000
Highways: Grounds Maintenance Contract	+254	+226	-28	Requested to carry the remaining budget forward into 2016/17. Income has been received from HCC for repairs to highway verges. This funding is still to be fully committed. The identification of repairs required is an ongoing process and as such enables officers to address concerns raised by residents.	+28
Careline Surplus	-88	-55	+33	The reduction in the projected Careline surplus is due to higher than forecast expenditure on non-reimbursable equipment and installation costs.	
Other minor variances			-37		+41
Total change in General Fund expenditure			-179		+295

Strategic Priorities Fund

- 8.2 It is currently anticipated that £35k of the £113k Strategic Priorities Fund resource available to Corporate Board in 2015/16 will remain unallocated at the end of the financial year. It is likely that the revenue outturn monitoring report for 2015/16 will include both a request to carry forward the unallocated budget remaining into 2016/17 and that this provision is topped up further to make a total budget of approximately £100k available in 2016/17. The additional funds will be sought either through a request to approve a transfer of the required amount from an overall underspend reported at year-end or, as has been the case in prior years, a request to approve the transfer of the required amount from an over-achievement of the vacancy control target in 2015/16. The fund provides Corporate Board with authority to approve the allocation of funds during the year for invest to save or continuous improvement projects as and when the opportunity arises.

Carry Forward of Budgets from 2014/15 to 2015/16

- 8.3 There was a total of £464k of budgets carried forward from 2014/15 into 2015/16. As at the end of the third quarter £225k of these budgets had been spent.
- 8.4 A condition of carry forwards is that there is a clear plan for spending the budget. The carry forward budgets are given a traffic light code to signify whether there is a problem with spending or completing the project within the timeframe. At the end of the third quarter, there is one carry forward at amber status and six carry forwards at red status, with the remainder at green status. This indicates there is one carry forward budget that is still anticipated will be spent but there is a risk this may not be achieved in the normal timeframe. The six carry forwards at red status means the carry forwards will no longer be spent within this financial year or will not be spent at all.

Table 2 - Progress of carry forward budgets

Carry Forward	Amber / Red	Budget £'000	Projected Variance £'000	Explanation
Extending boundary of Chiltern Area of Natural Beauty	R	20	0	The decision on whether this work takes place is with Natural England and will not be taken before the end of the year. The request to carry forward this budget into 2016/17 was made in the month 8 monitoring.
E Billing Software	R	5	0	E billing cannot move forward until the mail project outcome is decided. Hybrid Mail options are still being explored and it is therefore not expected that this project will be completed before the end of March 2016. It is therefore requested for this budget to be carried forward again into 2016/17.
Parking Lines and Signs	R	53	0	Commissioning of the works identified from the lines and signs audit undertaken last year is ongoing. As noted in table 1, £52,500 is requested to be carried forward to fund officer resource and works commissioned in 2016/17.
Economic Development Officer	R	20	0	The Economic Development strategy and associated Action Plan was agreed by Cabinet in September 2015. Officers are now in the process of using the action plan to identify projects and activities that the Economic Development Officer, once in post, will be expected to progress. Recruitment to this post is expected in the next financial year.
HCC Highways Grounds Maintenance	R	37	0	NHDC is continuing the process of inspections to highlight areas that are in need of repair and developing a programme of works to address the identified issues. The programme of works will continue into 2016/17 and therefore, as noted in table 1, it is requested to carry forward £27,700 into 2016/17.
Council Offices Refurbishment – Transportation Costs	R	5	0	This carry forward was to fund transportation costs related to the office decant in preparation for the refurbishment. The revised timescale for this project means that the carry forward will not be spent in this financial year but will be requested to be carried forward into 2016/17 at year-end along with other budget provision earmarked for costs associated with the office move.
Area Committee Grants	A	90	0	70% of the 14/15 carry forward allocated grant funds have now been released. It is estimated that 90% of this carry forward will be spent following March's cycle of Area Committee Meeting. The majority of

				the remaining 10% relates to funds within the Hitchin Area Committee budget allocated for equipment for the new Westmill Centre, which is due to be drawn down in late March / early April 16.
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Efficiency Proposals Incorporated in the 2015/16 Budget

8.5 In addition to the £256k of budget scrutiny savings identified, a total of £185k of efficiency proposals were approved within the 2015/16 budget and, as at the end of the third quarter, the efficiencies have been overachieved by £75k due to overachievement of off street car parking charges income. The efficiencies are summarised in table 3.

Table 3: Summary of all 2015/16 efficiency proposals

	Original Budgeted Saving in 2015/16	Projected Saving as at end of 3 rd Qtr.	Variance
	£'000	£'000	£'000
Staff structure changes	66	66	0
Premises Costs savings	52	52	0
New website and intranet provider	16	16	0
Other	13	13	0
Sub-total	147	147	0
Increase in parking income following review of tariffs.	29	104	75
Other	9	9	0
Grand Total	185	260	75

Key Corporate 'Financial Health' Indicators

8.6 There are 5 key corporate 'financial health' indicators identified and listed in table 4 below. These indicators reflect specific aspects of the budget which have a significant impact on the overall Council's net budget and are likely to be influenced by changes in the external environment. Activity data of these indicators is maintained on the Council's performance system, Covalent.

Table 4 – Key Corporate 'Health' Indicators

Indicator	Original Budget	Working Budget	Actual to date	Projected Variance to Original Budget at Q3
	£'000	£'000	£'000	£'000
Building Control Fees – Green	-355	-355	-257	15
Planning Application Fees – Green	-431	-562	-467	-131
Land Charges – Green	-170	-170	-168	0
Car Parking Fees – Green	-1,535	-1,632	-1,249	-104
Parking Penalty Charge Notices - Green	-410	-448	-372	-65

- 8.7 The number of building control fee earning applications are up on the same period last year (631 in 2015/16 compared to 592 in 2014/15), while the number of non-fee earning applications has also increased (6,463 in 2015/16 compared to 5,927 in 2014/15). While fee earning applications have increased compared to 2014/15 and fee income is projected to be higher than the £312k achieved last year, anticipated income is now expected to be lower than originally budgeted. This shortfall in income has however been managed through a reduction in corresponding expenditure.
- 8.8 The number of development control fee earning applications is also up on the same period last year (1,221 in 2015/16 compared to 1,135 in 2014/15) and the number of non-fee earning applications is also slightly higher (823 in 2015/16 compared to 820 in 2014/15). This increase in activity, which includes some applications for major developments, has led to a £131k increase in the level of income anticipated in this financial year.
- 8.9 The number of residential searches completed as at the end of the third quarter was lower than the same period in the last two years. (1,375 compared to 1,415 in 2014/15 and 1,436 in 2013/14). Activity levels with regards to the other types of searches are higher than 2014/15, with the value of income received ahead of the budget profile.
- 8.10 The number of car park tickets purchased in car parks in Hitchin in the second quarter is higher than the past two years. Parking activity to date in Letchworth and Royston is lower than 2014/15, though for Royston still slightly above the level reported in 2013/14.
Hitchin: 538,764 (528,453 in 2014/15, 503,624 in 2013/14)
Letchworth: 154,797 (170,925 in 2014/15, 168,735 in 2013/14)
Royston: 211,761 (227,625 in 2014/15, 211,445 in 2013/14)
The projected variance to original budget reflects the increase in the total value of parking fee transactions apparent in 2015/16.
- 8.11 The number of penalty charge notices issued for car parking was 9,304 as at the end of the third quarter of 2015/16. This compares to 10,522 in the same period in 2014/15 and 11,039 in 2013/14. Despite the decrease in the number issued relative to recent years, income recorded from PCNs is ahead of the budget profile for 2015/16.

General Fund Balances Projected for 2015/16

- 8.12 The revision to the 2015/16 General Fund working budget has reduced projected net expenditure by £179k to a £39k in-year deficit, with a corresponding increase in the projected General Fund balance of £179k. The projected General Fund balance is in excess of the minimum balance of £1.673million approved by Council in February 2015. For information, it is also consistent with the limits that will apply for 2016/17, i.e. revised minimum of £1.719million approved by Council in September 2015, when considering the Medium Term Financial Strategy. The MTFs (Reserves Policy) for 2016/17 onwards also established a maximum level that GF balances would not be expected to exceed, i.e. £6.494million. A summary of the transactions to the projected year end General Fund balance is shown in table 5

Table 5: Projected General Fund Balances

Projected General Fund Balances	£'000
Balance Brought Forward (1/4/2015)	6,022cr
Projected Net Spend (including precepts)	17,291dr
Precept Receipts & Government Grants	17,252cr
Contribution to/from Special Reserve	0
Contribution to Collection Fund	1,301dr
Section 31 Business Rate Relief Grants	1,470cr
Balance Carried Forward (31/3/2016)	6,152cr

- 8.13 Three known financial risks have been realised in the third quarter of 2015/16 resulting in additional expenditure of £47k. These were in respect of a reduction in anticipated licensing fee income and Council Tax summons fees income, as well as an increase in the Council tax summons fees bad debt provision (further detail and explanation can be found in table 1). A summary of the realisation of known financial risks is shown in table 6.

Table 6: Known Financial Risks

	£'000
Original allowance for known financial risks	873cr
Known financial risks realised in quarter 1	381dr
Known financial risks realised in quarter 2	23dr
Known financial risks realised in quarter 3	47dr
Remaining allowance for known financial risks	422cr

Earmarked Reserves

- 8.14 The Council has a number of earmarked reserves which can be used to fund revenue expenditure; these are detailed in Table 7. A total of £1.426million is projected to be contributed to the reserves in 2015/16 and a total of £1.714million is expected to be used to fund expenditure. This leaves a projected amount in earmarked reserves at 31 March 2015 of £4.649million.
- 8.15 The reported reduction in earmarked reserve balances is primarily due to a net £423k drawdown from the DCLG grants reserve. This is the section 31 grant from DCLG to fund the extension to the Small Business Rate Relief Scheme. This is used to fund the Council's share of the deficit in the Collection Fund and any levy payments due.

Table 7 – Earmarked Reserves 2015/16

	Balance at 1 April 2015	Projected Contributions	Projected Payments to Fund expenditure	Balance at 31 March 2016
	£'000	£'000	£'000	£'000
Cemetery Mausoleum	103cr	16cr	0	119cr
Children's Services	13cr	0	7dr	6cr
Climate Change Grant	49cr	0	20dr	29cr
Community Development	1cr	0	0	1cr
Community Right to Bid	45cr	0	0	45cr
DCLG Grants	1,045cr	879cr	1,302dr	622cr
DWP Additional Grants	42cr	29cr	61dr	10cr
Environmental Warranty Reserve	209cr	0	0	209cr
Growth Area Fund	53cr	0	0	53cr
Homelessness	22cr	33cr	22dr	33cr
Housing Planning Delivery Reserve	259cr	125cr	3dr	381cr
Information Technology Reserve	152cr	0	70dr	82cr
Insurance Reserve	38cr	0	0	38cr
Leisure Management Reserve	69cr	20cr	0	89cr
Local Authority Mortgage Scheme	56cr	25cr	0	81cr
Museum Exhibits Reserve	13cr	0	0	13cr
Neighbourhood Plan Reserve	40cr	15cr	0	55cr
Office Move IT Works	7cr	0	0	7cr
Paintings Conservation	15cr	0	0	15cr
Performance Reward Grant Reserve	50cr	0	50dr	0
Personal Search Fees	185cr	119cr	140dr	164cr
Property Maintenance	58cr	10cr	15dr	53cr
S106 Monitoring	95cr	4cr	16dr	83cr
Special Reserve	1,720cr	0	0	1,720cr
Street Furniture	3cr	4cr	1dr	6cr
Taxi Licences Reserve	2cr	0	0	2cr
Town Centre Maintenance	37cr	8cr	7dr	38cr
Town Wide Review	169cr	45cr	0	214cr
Waste Reserve	387cr	94cr	0	481cr
Total Revenue Reserves	4,937cr	1,426cr	1,714dr	4,649cr

Funding of Net Expenditure

- 8.16 The Council's General Fund net expenditure is funded by the Council Tax precept, Revenue Support Grant, New Homes Bonus and the retained Business Rates. These are budgeted as follows:

Funding Source	2015/16 Working Estimate £'000	%
Revenue Support Grant	1,887	11%
Retained Business Rates	2,305	14%
New Homes Bonus	2,401	15%
Council Tax Precept	9,854	60%
Total Funding	16,447	100%

- 8.17 Funding from Council Tax and Business Rates is however dependent on the overall collection rates and in the case of Business Rates is dependent on the amount of appeals that are ultimately successful. Council Tax and Business Rates are accounted for separately in the Collection Fund. The Council had a £1.3million share of the Collection Fund deficit position at the 31 March 2015 and there has been a contribution of £1.3million from the General Fund to the Collection Fund in 2015/16 to make good this deficit.
- 8.18 Over the past year the Government has announced a number of business rate relief measures and has announced that compensation will be provided to local authorities for the loss of income. This compensation will come in the form of a section 31 grant and will be payable direct to the General Fund, rather than into the Collection Fund. The current total in the S31 Grant reserve is £65k, after funding the £1.3million collection fund deficit. The Council will receive a further £427k in 2015/16 for the following measures:
- 2% cap in the inflation increase for 2015/16
 - Doubling of small business rate relief
 - Relief provided to retail properties
- The S31 Grants will fund any levy payments due in 2015/16. The remainder will be transferred to an earmarked reserve to help fund the 2015/16 deficit on the Collection Fund.
- 8.19 The Collection Fund is anticipated to move further into deficit in relation to Business Rates in 2015/16, mainly as a result of successful appeals. Legislation required that, for any appeal to be backdated it had to be lodged by 31st March 2015 and this led to a spike in appeals received. The appeals provision was also increased for 2015/16 in anticipation of this to cover the backdated appeal. However any reduction in rateable value going forward in 2015/16 onwards, as a result of a successful appeal, is a hit to business rates income. The Collection Fund is anticipated to move further into surplus in relation to Council Tax. This is demonstrated in table 8 below. After the payment of a levy and receipt of the S31 grant is considered, the Council will have retained a net total of £2.305million of business rates in the General Fund in 2015/16.

Table 8: Collection Fund Monitoring

	Business Rates		Council Tax	
	2014/15	2015/16	2014/15	2015/16
Collection Rate of in year debt	81.92%	82.57%	85.69%	85.66%
Forecast year end share of (Surplus) / Deficit	£1,302,000	£291,000	(£75,000)	(£130,000)
Net Retained Business Rates in the General Fund	£2,408,000	£2,305,000		

- 8.19 In 2015/16 North Herts has joined a Business Rates Pool along with four other Herts District and Borough councils and Herts County Council. This will have an impact on the amount of levy payment North Herts will be required to pay to the DCLG. A levy payment is due because the collection of Business Rates in 2015/16 is estimated to be higher than the baseline need. It would ordinarily be necessary to pay a levy of 50% to Government for every additional £1 collected. However by the authorities pooling their income together, the amount of levy required to be paid is reduced. The projected gross levy at third quarter equates to £369k. However this will be offset by the pooling gain that Herts County Council, as pool lead, has currently estimated at £200k to North Herts. The total net levy falling on the Council would therefore be £169k. While this has no impact on the general fund position in 2015/16, the benefit of the reduced net levy is

that £200k of S31 grant does not need to be drawn down from the reserve and therefore there is a greater amount remaining in the reserve to cover any future deficits in the collection fund. There are however a number of large appeals outstanding, which include notably supermarkets and doctors surgeries. If these were to ultimately be successful and refunds due are more than what has been provided for in the provision for appeals, then this will impact on the amount of pooling gain and increase the total levy payment due.

9. LEGAL IMPLICATIONS

- 9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance.

10. FINANCIAL IMPLICATIONS

- 10.1 Members have been advised of any variations from the budgets in the body of this report and of any action taken by officers.
- 10.2 The projected general fund balance of £6.152million meets the recommended £1.673m minimum balance of General Fund reserves agreed when the budget was set. The minimum balance for 2015/16 contains a 5% tolerance on original net expenditure for unknown risks and an allowance of £873k for identified key financial risks, which had a total potential risk value of £5.7million.

11. RISK IMPLICATIONS

- 11.1 As outlined in the body of the report. The process of quarterly monitoring to Cabinet is a control mechanism to help to militate against the risk of an unplanned overspend of the overall Council budget.

12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 For any individual new revenue investment proposal of £50k or more, or affecting more than two wards, a brief equality analysis is required to be carried out to demonstrate that the authority has taken full account of any negative, or positive, equalities implications; this will take place following agreement of the investment.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12. Any individual award of a public service contract will be evaluated in terms of its social value through the Council's procurement processes.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may effect staff, appropriate communication and consultation is provided in line with HR policy.

15. APPENDICES

- 15.1 Appendix A - General Fund Summary.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1 Estimate Book 2015/16.
17.2 Statement of Accounts 2014/15.