

TITLE OF REPORT: ITEM REFERRED FROM CABINET: 24 JUNE 2014 – REVENUE BUDGET OUTTURN 2013/14

The following is an extract from the Draft Minutes of the Cabinet meeting held on 24 June 2014.

9. REVENUE BUDGET OUTTURN 2013/14

The Portfolio Holder for Finance and IT presented a report of the Strategic Director of Finance, Policy and Governance in respect of the Revenue Budget Outturn 2013/14. The following appendices were submitted with the report:

Appendix A – General Fund Summary;
Appendix B – Carry Forward budgets requested for 2014/15; and
Appendix C – Collection Fund as at 31 March 2014.

The Portfolio Holder for Finance and IT stated that the working budget for 2013/14 was £15.979million, which was £712,000 lower than the original General Fund net expenditure estimate of £16.691million. The major variances to the working budget were detailed in Table 1 of the report.

The Portfolio Holder for Finance and IT highlighted the Executive Summary in the report and made the following points:

- Net General Fund expenditure for 2013/14 – this was £15.439million, which was £540,000 (or 3.4%) lower than the working budget;
- Budgets Carried Forward from 2012/13 – of the £489,000 of carry forward budgets into 2013/14, £308,000 had been spent. The remaining £181,00 was requested to be carried forward again into 2014/15;
- Achievement of Efficiencies - the £850,000 of agreed efficiency proposals were over-achieved by £31,000 (or 4%);
- Key Financial Indicators – the key financial indicators had been monitored throughout 2013/14 and one was at red status (Building Control);
- General Fund Reserve Balance – this had a balance of £3.933million at 31 March 2014. This was £1.9million higher than the minimum balance approved for 2014/15 of £2million;
- Allowance for Financial Risks – the budgeted minimum General Fund balance of £2.3million included an allowance of £1.5million for known financial risks. £336,000 of these risks had been realised, leaving a remaining balance of £1.164million;
- Earmarked Reserves and Provisions - as at 1 April 2013 there was a balance of £2.713million in other useable earmarked reserves. The balance at 31 March 2014 was £4.002million. A total of £569,000 was held in provision at 31 March 2014 and a total of £592,000 was held as bad debt provision, not including Council Tax bad debt provision; and
- Collection Fund – as at 31 March 2014, the Collection Fund had a deficit balance of £1.64million. The Council's share of this deficit was £743,000.

In response to a question regarding Building Control fees, Cabinet was advised that work was ongoing between six Hertfordshire Local Authorities, including NHDC, regarding a possible future "hybrid" arrangement for the provision of Building Control Services. Work on a detailed business case was fairly advanced, and it was hoped that Cabinet would receive a report on the matter later in 2014.

RESOLVED:

- (1) That the contents of the report be noted:

- (2) That a decrease of £540,000 in the 2013/14 General Fund expenditure (Paragraph 8.1, Table 1 refers) to £15.439million, be approved;
- (3) That the amendments to the 2014/15 budget, involving a net decrease in expenditure of £9,000, and including the carry forward into 2014/15 of budgets from 2013/14 of £351,000 (Paragraph 8.1, Table 1 refers) be approved; and
- (4) That the transfer of the vacancy control over-achievement of £50,000 to the Strategic Priority fund to enable Challenge Board to undertake invest to save and/or continuous improvement projects (Paragraph 8.7 refers) be approved.

RECOMMENDED TO COUNCIL: That the net transfer from earmarked reserves of £1.289million (as set out in Paragraphs 8.14 - 8.16 and Table 8 of the report), be approved.

REASON FOR DECISION: To ensure Cabinet's budget monitoring role is fulfilled before the finalisation of the Annual Statement of Accounts by 30 June 2014; and to ensure that changes to the Council's balances are monitored and approved.

The following is the report considered by the Cabinet at its meeting held on 24 June 2014.

TITLE OF REPORT: REVENUE BUDGET OUTTURN 2013/14

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

1. SUMMARY

- 1.1 The purpose of this report is to inform Cabinet of the summary position on income and expenditure as at the end of the financial year 1 April 2013 to 31 March 2014 for the General Fund.
- 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 the year end 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.
- 1.5 This report updates Cabinet on the position of the Council's Earmarked Reserves and Provisions as at 31 March 2014 and any transfers to/from reserves.
- 1.6 This report updates Cabinet on the projected General Fund balance at the end of 2014/15 as a result of the 2013/14 outturn position.
- 1.7 This report updates Cabinet of any requests for 2013/14 carry forwards that require approval.

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 That Cabinet approves a decrease of £540k in the 2013/14 General Fund expenditure (Paragraph 8.1, Table 1 refers) to £15.439million.
- 2.3 That Cabinet approves the amendments to the 2014/15 budget, a net decrease in expenditure of £9k. This includes the carry forward into 2014/15 of budgets from 2013/14 of £351k (paragraph 8.1, Table 1 refers).
- 2.4 That Cabinet approves the transfer of the vacancy control over-achievement of £50k to the Strategic Priority fund to enable Challenge Board to undertake invest to save and/or continuous improvement projects. (paragraph 8.7 refers).
- 2.5 That Cabinet recommend that Council approve the net transfer to earmarked reserves of £1.289million, (Paragraph 8.14 to 8.16 and Table 8 refers).

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure Cabinet's budget monitoring role is fulfilled before the finalisation of the Annual Statement of Accounts by the 30 June.
- 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 EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 Consultation on the budget monitoring is not required. Members will be aware that there is wider consultation, including with external stakeholders, 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 14 March 2014.

7. BACKGROUND

- 7.1 Members approved the General Fund 2013/14 estimates in February 2013 and approved General Fund net expenditure of £16.691million. In addition to the 2013/14 original budget, Members approved carry forward budgets of £489k and a net decrease to the base budget of £95k. These were approved at the June meeting of Cabinet. The total working budget for 2013/14 was therefore £17.085million.

- 7.2 The 2013/14 General Fund estimates included efficiency proposals of £850k and investment proposals of £105k agreed as part of the Corporate Business Planning process, and an allowance of £1.5million for known financial risks in reserves, following an assessment of the risk register.

- 7.3 At 1st quarter the projected expenditure on the General Fund was estimated to be £17.016million, this was a net decrease on the working budget of £69k. A £3k increase to the base budget for 2014/15 was also reported.

- 7.4 At 2nd quarter the projected expenditure on the General Fund was estimated to be £16.753million, this was a net decrease in the working budget of £263k. A £33k increase to the base budget for 2014/15 was also reported.

- 7.5 A high level summary of the projected position on the General Fund at the end of November 2013 was provided to members in January 2014.

- 7.6 At 3rd quarter the projected expenditure on the General Fund was estimated to be £15.979million, this was a net decrease on the working budget of £774k. Of this reduction in spend in this financial year £367k was requested to be carried forward and spent in 2014/15. The net impact on the 2014/15 base budget, reported at 3rd quarter, was an increase of £437k.

- 7.7 The Accounts and Audit Regulations, revised in 2011, require the Statement of Accounts to be signed off by the responsible finance officer by the 30 June. There is no longer a statutory obligation for the Statement of Accounts to be signed off by Full Council by the 30 June. The Statement of Accounts are required to be formally approved by a Committee by the 30 September (Regulation 8(3)) and they will be presented to the Finance, Audit and Risk Committee on the 18 September.

- 7.8 At the Council meeting on the 13 February 2014 a minimum general fund balance for 2014/15 of £2million was recommended to be maintained.

8. ISSUES

Executive Summary

Issue & Relevant Table	Comment
Net general fund expenditure for 2013/14 (Table 1 and 2)	Net expenditure in 2013/14 was £15.439million. This is a £540k (or 3.4%) decrease on the working budget.
Budgets Carried Forward from 2012/13 (Table 3)	Of the £489k of carry forward budgets into 2013/14 £308k (63%) has been spent. The remaining £181k is requested to be carried forward again into 2014/15.
Achievement of Efficiencies (Table 4)	The £850k of agreed efficiency proposals were over achieved by £31k, or 4%.
Key Financial Indicators (Table 5)	The key financial indicators have been monitored throughout 2013/14 and one is at red status (Building Control).
General Fund Reserve Balance (Table 6)	The general fund reserve has a balance of £3.933million at 31 March 2014. This is £1.9million higher than the minimum balance approved for 2014/15 of £2million.
Allowance for financial risks (Table 7)	The budgeted minimum general fund balance of £2.3million included an allowance of £1.5million for known financial risks. £336k of these risks had been realised leaving a remaining balance of £1.164million.
Earmarked Reserves and Provisions (Table 8, 9 and 10)	As at 1 April 2013 there was a balance of £2.713million in other useable earmarked reserves. The balance at the 31 March 2014 is £4.002million. A total of £569k is held in provision at 31 March 2014 and a total of £592k is held as bad debt provision (excluding Council Tax and NNDR bad debt provision).
Collection Fund (Appendix C)	At the 31 March 2014 the Collection Fund has a deficit balance of £1.64million. The Council's share of this deficit is £743k.

General Fund – Income and Expenditure

- 8.1 The net expenditure on the General Fund for the period 1 April 2013 to 31 March 2014 was £15.439million. This is a net decrease of £540k (or 3.4%) on the working budget of £15.979million at 3rd Qtr and is a net decrease of £1.252million (or 7.5%) on the original budget estimate of £16.691million. The significant changes (+/- £25K or +/- 25% of the working budget) to the General Fund expenditure are detailed in table 1. There is a net decrease in estimated spend in 2014/15 of £9k. If approved the revised estimated net expenditure for 2014/15 will be £16.064million.

Table 1: Significant changes to the General Fund

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease(-) £'000	Comment	Effect on 2014/15 Budget £'000
Housing Benefit - Increase in bad debt provision for overpayments - Payments and subsidies - Income from recouped Overpayments	+50 +15 -684	+142 +75 -649	+92 +60 +35	£100k worth of debt was written off in the last quarter of 13/14, this has increased the movement on the bad debt provision (see table 10 for the level of bad debt provisions). Housing Benefit outturn, projection based on mid year estimate and DHP grant. Actual payments varied slightly to mid year estimate Overall debtors raised for overpayments has increased on last year, but this is offset with an increase in the movement of the bad debt provision (see above). The more overpayments raised the greater risk of bad debts.	
Planning - Income from applications	-531	-614	-83	Increase in number of applications from new developments across the District attracting a larger fee.	
Parking Services - Repairs and Maintenance Car Park income	+40 -1,291	+8 -1,350	-32 -59	Recent capital investment to improve the condition of off-street car parks, including £23k spent on resurfacing and lining and £50k on improving the Portmill Lane car park, has reduced the pressure on the repairs and maintenance budget. While parking activity has generally been higher in 2013/14 than 2012/13, the final income variances reported are primarily a reflection of parking fee income in quarter four (£340k) being significantly greater than that profiled in the budget and that collected in the same quarter of 2012/13 (£293k).	
Council Tax Administration and Summons - reclaimed expenses	-323	-399	-76	The Authority is able to recoup costs of going to court from the individual concerned when the case is successful. The total amount collected will vary year on year depending on the amount of cases that get taken	

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease(-) £'000	Comment	Effect on 2014/15 Budget £'000
				to court.	
Building Control					
- Fees and charges income	-365	-311	+54	Due to increased competition the number of fee earning applications has reduced resulting in a net deficit for the year.	
- Expenditure charged to the reserve	+539	+498	-42	Expenditure on staffing was also reduced resulting in a lower recharge to the reserve. All the reserve balance has now been transferred to the general fund and efforts will be made to limit expenditure in 2014/15 as much as possible to make up the remaining deficit of £26k in the general fund.	
- Contribution from earmarked reserve	-44	-46	-2		-26
Premises					
- Maintenance and cleaning of Council properties	+232	+181	-51	Various underspends on premises budgets. Compliance maintenance carried out over the past two years has reduced reactive maintenance. Additional premises will be included in the contract for 14/15. Further savings on the cleaning contract as ad hoc requirements were lower than anticipated.	
Staff Establishment – Vacancy control	-300	-350	-50	Over achievement of the vacancy control target means there was an average vacancy of around 2.8%.	
Area Committee – discretionary grants	+118	+158	+40	A substantial number of grants were awarded and released for payment following the last cycle of Area Committee Meetings which took place in March. The remaining balance of funds in each Area Committee has been allocated & committed to groups & various schemes for release in the future.	-40
Waste Recycling - Lease of bins	+40	+2	-38	Bins previously acquired through a lease agreement have now been purchased. The bulk purchase of bins as part of the roll out of the new services has removed the need to lease bins this year.	

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease(-) £'000	Comment	Effect on 2014/15 Budget £'000
- Bin liners	+150	+130	-20	Underspend represents the value of the stock remaining of compostable liners. The liners will be distributed in 14/15 as they are still required for the weekly food waste collection from flats service.	
- Plastic Bring Banks	+83	+58	-25	The Plastic Bring banks were withdrawn in August 2013 as part of the commingled recycling project. An early termination payment was anticipated necessary but has not appeared.	
Corporate Learning & Development Budget	+62	+22	-39	Progress of HR development and take-up of learning and development programmes has been lower than anticipated, thought to be due to the impact of a reduced capacity and increased demands. This level of underspend is not expected next year as a significant number of employees have already committed to programmes.	
Sundry Debtors - Bad Debt Provision	+30	-5	-35	The amount of outstanding debt over two years old has reduced in the final quarter by £60k due to the payment of three large debts. Prior to the debts being paid it looked like the level of bad debt provision was going to need to increase by the projected £30k. Table 10 provides more details.	
Local Land charges - Fees and charges income	-217	-246	-29	Land Charges continue to overachieve due to high demand for searches, reflecting the upturn to the housing market.	
Amenity Areas - Tree Maintenance	+90	+69	-21	In response to the severe February storms, additional funds were identified for emergency works. Tree surveys revealed a level of damage lower than initially feared, with the value of additional tree maintenance required lower than expected.	
Miscellaneous Income	0	-35	-35	Income received direct into the bank account without any remittance. Income is cleared	

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease(-) £'000	Comment	Effect on 2014/15 Budget £'000
				from the suspense account to the general fund after 18 months.	
Other minor variances			-184		+57
Total change in General Fund expenditure compared to the working budget			-540		-9

Careline

8.2 At the end of the year Careline has achieved £868k of income from fees and charges, sales and contributions. This has resulted in a net deficit (including overheads) of £142k in 2013/14. Careline made a net overall deficit of £139k in 2012/13 and is currently estimated to make an overall net deficit of £112k in 2014/15. The improved position for 2014/15 is the result of the marketing investment and the expected increase in customer base.

Table 2: Careline Operations 2013/14

2012/13 Outturn £'000	Trading Account	Working Budget £'000	Outturn £'000	Variance to Projection £'000
914	- Direct Costs	848	866	18
151	- Recharges	141	144	3
1,065	Gross Expenditure	989	1,010	21
926	Gross Income	851	868	17
139	Net Deficit (funded by the general fund)	138	142	4

8.3 The net deficit position includes all recharges for overheads. Independent consultant advice, provided as part of the value for money review of the service during 2012, suggested that if the service was run as an independent commercial business the overheads would be reduced significantly and as a result the net deficit position would also be reduced. The loss of significant contracts in recent times has had a detrimental effect on the ability of the service to recover all costs. Staffing levels have been reviewed to minimise the deficit position as much as possible and Members have approved an invest to save proposal for Marketing activity following the recommendations of the value for money review.

Carry Forward of Budgets

8.4 There was a total of £489k of budgets carried forward from 2012/13 into 2013/14. As at the 31 March 2014 £308k of these budgets had been spent. Those carry forwards that remain unspent at 31 March 2014 are listed in table 3.

8.5 A condition of carry forwards is that there is a clear plan for spending the budget. The carry forward budgets are monitored during the year with a traffic light code to signify whether there is a problem with spending or completing the project within the timeframe. The remaining unspent amount of £181k is requested to be carried forward again into 2014/15 and is included in the requests in Appendix B.

Table 3 - Progress of carry forward budgets

Carry Forward	Budget £'000	Outturn £'000	Underspen d £'000
Strategic Priority Fund	147	79	-68
Street Plates and Signs for Parking	25	9	-16
Learning and Development	22	14	-8
Energy Efficiency Surveys	18	13	-5
Long Term Office Accommodation Survey	13	8	-5
Area Committee Grants	65	32	-33
Stock Condition Survey	30	12	-18
Extension of boundary of Chiltern Area of Outstanding Beauty	20	0	-20
Road Markings	37	29	-8
Total of unspent carry forwards			-181

Carry Forward of Budgets from 2013/14 to 2014/15

- 8.6 Members were informed at the 3rd quarter that £368k of 2013/14 budgets would be requested to be carried forward into 2014/15. Following spend in the final quarter of the year the total final amount requested to be carried forward from 2013/14 into 2014/15 is £351k. The detail of these carry forward budgets is detailed in Appendix B. The carry forward request from 2011/12 into 2012/13 was £418k and the carry forward request from 2012/13 into 2013/14 was £489k.
- 8.7 It has been policy in the past to approve the use of an over-achievement of the vacancy control target as a strategic priorities fund for the following year to assist in facilitating the shift in resources to meet key priorities. The vacancy control target was over-achieved by £50k in 2013/14 and so Members are asked to approve a further £50k transfer into a Strategic Priorities Fund. This will bring the total un-committed amount in the fund to £85k. The fund provides the Senior Management Team with authority to approve the allocation of the funds during the year for invest to save or continuous improvement projects as the opportunity arises. Following review of the general fund position the funding of a strategic priorities fund is considered affordable.

Efficiency Proposals Incorporated in the 2013/14 Budget

- 8.8 A total of £850k of proposals were approved within the 2013/14 budget and a total of £881k has been achieved in financial year 2013/14.

Table 4: Summary of all 2013/14 efficiency proposals

	Original Budgeted Efficiency in 2013/14 £'000	Actual Efficiency £'000	Variance £'000	Comment
Budget Scrutiny Reductions	323	323	0	
Senior Management Restructure	115	115	0	
Other Staff Restructures	344	344	0	
Sub-Total	782	782	0	
Other Detailed Efficiency Proposals	26	87	-61	As previously reported
Other Income Generation proposals	42	12	+30	As previously reported
Sub-Total	68	99	-31	
Total efficiency proposals	850	881	-31	

Key Corporate 'Financial Health' Indicators

- 8.9 There are 5 key corporate 'financial health' indicators identified and listed in table 5 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. Four of the indicators have performed well in 2013/14 with one, Building Control fee at red status.

Table 5 – Key Corporate 'Health' Indicators

Indicator	Original Budget	Working Budget	Outturn	Variance to Original Budget
	£'000	£'000	£'000	£'000
Building Control Fees - RED	-461	-365	-311	+150
Planning Application Fees - GREEN	-431	-531	-614	-183
Land Charges - GREEN	-160	-217	-246	-86
Car Parking Fees - GREEN	-1,657	-1,583	-1,656	+1
Council Tax Support Scheme - GREEN	+7,249	+7,249	+7,041	-208

- 8.10 The number of Building Control fee earning applications reduced on the same period last year (770 in 2013/14 compared to 851 in 2012/13 and 945 in 2011/12), while the number of non-fee earning applications increased (7,423 in 2013/14 compared to 6,444 in 2012/13 and 6,063 in 2011/12). The income shortfall of £150k has resulted in a £72k deficit on fee earning activities for the year. The reduction in income can be attributed to the current economic climate and increased competition from the private sector. There is a £26k shortfall in the Building Control Account reserve to cover the current deficit and so this will be held in the general fund until such time as a surplus is made to cover it.

General Fund Balance as at 31 March 2014

- 8.11 A summary of the general fund expenditure and income is shown in appendix A. The General Fund balance as at 31 March 2014 is £3.933million. This is £1.598million higher than the projected balance of £2.335million, when the original budget was approved in February 2013. The difference has been explained in the quarterly monitoring reports during the year and also reflects the planned intention to increase the balance in the special reserve in 2014/15 to provide a means of funding the implementation of alternative ways of working to assist the delivery of efficiencies over the next five years.
- 8.12 A total of £336k of known financial risks were realised during 2013/14. The original budgeted allowance for known financial risks for 2013/14 was £1.5million. A summary of the transactions to the projected year end general fund balance is shown in table 6 and the movement of the necessary minimum general fund balance is shown in table 7.

Table 6: General Fund Balances as at 31 March 2014

General Fund Balances as at 31 March 2014	£'000
Balance Brought Forward (1/4/2013)	3,162cr
Net Spend (including precepts)	16,401dr
Precept Receipts & Government Grants	17,972cr
Contribution to Special Reserve	800dr
Balance Carried Forward (31/3/2014)	3,933cr

Table 7: Minimum General Fund Balance

	£'000
Original minimum general fund balance	2,300cr
Known financial risks realised in quarter 1	178dr
Known financial risks realised in quarter 2	92dr
Known financial risks realised in quarter 3	0
Known financial risks realised in quarter 4	66dr
Revised minimum general fund balance	1,964cr
The balance consists of two elements:	
Allowance for known financial risks	1,164cr
Allowance for unknown financial risks	800cr
	1,964cr

- 8.13 The Statement of Accounts has yet to be audited, (deadline of 30 September), and changes to the General Fund balance may arise as a result of the final audit. As the Housing Benefit claim has yet to be audited (due by November 2014) the accounts are based on un-audited figures.

Earmarked Reserves and Provisions

- 8.14 The Council can set aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. There are stricter statutory rules as to when the Council can create a provision, but it should do so when there is a liability of uncertain timing or amount and it is probable that expenditure will be incurred to settle the obligation. Reserves and Provisions are created by moving funds out of the General Fund balance. When expenditure to be financed by the reserve or provision is incurred the funds are moved back to the General Fund.
- 8.15 The Council has a number of earmarked reserves which can be used to fund revenue expenditure and these are detailed in Table 8. A net total of £1.289million has been contributed to earmarked reserves during 2013/14 (contributions of £1.574million less payments from the reserves of £285k) leaving a balance at 31 March 2014 of £4.002million. The increase in balances is largely due to two significant contributions:
- A £800k contribution to the special reserve, as reported in previous monitoring reports during 2013/14. This contribution was anticipated during the budget setting process for 2014/15 and further contributions are expected to be made during the new financial year to provide a cushion in order to fund one-off costs needed for invest to save schemes.
 - A £445k contribution to the DCLG grants reserve. This is the section 31 grant from DCLG to fund the extension to the Small Business Rate Relief Scheme, outlined in the 2013 Autumn Statement. This will be used to help fund the Council's share of the deficit in the Collection Fund during 2014/15 (see paragraph 8.19 onwards for a further explanation).

8.16 There are two new earmarked reserves for 2013/14 included in table 8:

- Electoral Services – Grants have been received (total value of £9k) to help implement individual electoral registration and maximise electoral registration. There are no conditions in the grant criteria but the funds have been earmarked for this purpose.
- Taxi Licences – The Licensing and Appeals Committee reviewed the Licensing fees and charges policy during 2013/14 and resolved that the Council should seek to fully recover the lawful costs associated with licensing activity and any over/under recovery of costs should be rectified where legislation allows. This earmarked reserve will be used to hold any surplus until this action is taken.

Table 8 – Earmarked Reserves

	Balance at 1 April 2013	Contributions	Payments to Fund expenditure	Balance at 31 March 2014
	£'000	£'000	£'000	£'000
Special Reserve	967cr	800cr	0	1767cr
Housing Planning Delivery Reserve	346cr	0	103dr	243cr
Information Technology Reserve	316cr	0	23dr	293cr
Environmental Warranty Reserve	209cr	0	0	209cr
Performance Reward Grant Reserve	64cr	0	14dr	50cr
Insurance Reserve	17cr	11cr	0	28cr
Cemetery Mausoleum	96cr	0	0	96cr
S106 Monitoring	71cr	32cr	15dr	88cr
Homelessness	43cr	10cr	25dr	28cr
Building Control Reserve	46cr	0	46dr	0
DWP Additional Grants	33cr	11cr	17dr	27cr
Climate Change Grant	25cr	28cr	0	53cr
Museum Exhibits Reserve	13cr	0	0	13cr
Property Maintenance	18cr	10cr	0	28cr
Paintings Conservation	10cr	3cr	0	13cr
Childrens Services	8cr	7cr	8dr	7cr
Hitchin Museum Donations	2cr	0	2dr	0
Leisure Management Reserve	32cr	20cr	3dr	49cr
Town Wide Review	178cr	2cr	0	180cr
Town Centre Maintenance	24cr	9cr	2dr	31cr
Street Name Plates	0	4cr	0	4cr
Community Right to Bid	13cr	16cr	0	29cr
Street Furniture	2cr	4cr	2dr	4cr
Office Move IT Works	7cr	0	0	7cr
Local Authority Mortgage Scheme	6cr	25cr	0	31cr
DCLG Grants	10cr	492cr	10dr	492cr
Growth Area Fund	53cr	0	0	53cr
Community Development	7cr	0	6dr	1cr
Personal Search Fees	97cr	64cr	9dr	152cr
Electoral Services	0	9cr	0	9cr
Taxi Licences Reserve	0	17cr	0	17cr
Total Revenue Reserves	2,713cr	1,574cr	285dr	4,002cr

8.17 The Council has a total of £569k held in Provisions as at 31 March 2014. These are listed with a brief explanation in Table 9 below:

Table 9: Provisions as at 31 March 2014

Provision	Balance as at 31 March 2014 £'000	Explanation
NNDR Appeals	527	When the new arrangements for the retention of business rates came into effect on 1 April 2013, local authorities assumed the liability for refunding ratepayers whom successfully appeal against the rateable value of their properties on the rating list, including all backdated appeals. The amount of outstanding appeals that will ultimately be successful has been estimated at £1.34million. This liability is split between Central Government (50%), Herts County Council (10%) and NHDC (40%).
Baldock Road Pavilion	17	Provision for the rebuilding of the pavilion which was burnt down. The monies were generated as a result of an insurance claim.
Insurance	25	This balance is to cover either the insurance policy excess of known claims or the amount of any outstanding claim against the Council's self-insurance. The provision does not cover any further claw-back under the Municipal Mutual Insurance Ltd (MMI) Scheme of Arrangement. The Council has paid 15% of the cost of successful claims and allowance has been made in the financial risks.
Total	569	

8.18 The Council also has a policy of maintaining a bad debt provision in anticipation that some of the outstanding debt owed to the Authority will not be collected. The level of bad debt provision for the Collection Fund (Council Tax and Business Rates) is discussed in paragraphs 8.19 and onwards below. The level of bad debt provision at 31 March 2013 and 31 March 2014 for all other debtors is shown in table 10 below. A bad debt provision is used when a debt is written off because it cannot be collected. During 2013/14 a total of £4k of sundry debtors were written off, £157k of housing benefit overpayments were written off and £143k of car parking penalty charge notices were either waived following a successful challenge or written off.

Table 10: Bad Debt Provisions (non Collection Fund)

Type of Debt	Outstanding Debt as at 31 March 2013 £'000	Bad Debt Provision as at 31 March 2013 £'000	Outstanding Debt as at 31 March 2014 £'000	Bad Debt Provision as at 31 March 2014 £'000
Sundry Debtors	(1,298)	156	(1,680)	148
Housing Benefit Overpayments	(1,226)	388	(1,386)	373
Car Parking Penalty Charge Notices	(101)	51	(153)	71
Total	(2,625)	595	(3,219)	592

Collection Fund

- 8.19 Collection Fund surpluses can be transferred to the general fund in future years to reduce the amount of council tax the Council has to raise to finance its own expenditure. Similarly surpluses on the collection fund attributable to Hertfordshire County Council and Hertfordshire Police Authority can be transferred to their respective general funds in future years to reduce their amount of council tax.
- 8.20 The activity on the collection fund in 2013/14 is summarised in the Collection Fund Income and Expenditure Statement in Appendix C. The statement for 2013/14 is substantially different to 2012/13 because this was the first year of the business rates retention scheme and the local council tax reduction scheme. The Authority collects Council Tax on behalf of itself, Hertfordshire County Council and the Hertfordshire Police and Crime Commissioner. The Authority collects business rates on behalf of itself, Hertfordshire County Council and Central Government. Because of this difference it is necessary to account for Council Tax and Business Rates separately within the Collection Fund and maintain a separate surplus/deficit position.
- 8.21 The opening balance on the Collection Fund was a net surplus of £157k and there was an overall net deficit of £1.8million on the collection fund in 2013/14. As a result the balance on the Collection Fund at the year end is a net deficit of £1.64million. The NHDC share of the overall balance is a deficit of £743k.
- 8.22 A total of £37.3million was owed to the Collection Fund from business rate payers in the District for 2013/14 after all deductions and exemptions. Payments from the Collection Fund for business rates were made on the basis of the original estimate for 2013/14, submitted to Government on the NNDR 1 form in January 2013. The Council paid £3.7million (10%) to Hertfordshire County Council and £18.6million (50%) to Central Government as their share of the business rate estimate for 2013/14. £14.9million (40%) was paid to the NHDC general fund as the District share of the estimate for 2013/14. However, the Authority then paid £12.3million from the general fund to Central Government in the form of a tariff, leaving the Authority with £2.6million to help fund general fund activities.
- 8.23 Regulation allows the Authority to make charges to the Collection Fund for the following items:
- Cost of Collection Allowance – this amount is stipulated by Central Government and is a contribution to the general fund for the cost of administering the business rates collection. This was £182k for 2013/14.
 - Write off of uncollectible amounts and increase in bad debt provision – Debt that is deemed uncollectible is written off. The amount written off in 2013/14 was £381k. A provision is then made for the amount of outstanding arrears that will need to be written off in the future because it is uncollectible. The amount of arrears at 31st March 2014 was £1.9million and the amount of bad debt provision was £786k (NNDR Arrears as at 31 March 2013 were £2.2million and the provision was £500k).
 - Provision for Appeals – Regulation requires that the Authority make provision for appeals (both backdated and in year appeals). At the 31st March 2014 there was a total of £18.4million of rateable value subject to appeal. When the multiplier and the back-dating is factored in these appeals have a total potential monetary value of around £33million. It is estimated that around 25% of these appeals will be successful and the reduction in rateable value of these successful appeals will be around 16% on average. This results in a calculated provision of £1.34million for appeals.
- 8.24 The Collection Fund is therefore in a net deficit position of £1.99million with respect to business rates. This deficit is largely due to two factors; a £600k increase in the

provision for appeals and a £1.1million increase in the amount of Small Business Rates Relief (SBRR) granted during the year. The SBRR is funded by the Government and the Council is due to receive a section 31 grant in the general fund. The NHDC share of the deficit position with respect to business rates is £797k. The Council may need to make a payment to the Collection Fund from the general fund in 2015/16 if the deficit position remains during 2014/15. The section 31 grant of £445k will be kept in an earmarked reserve for this purpose.

- 8.25 The Collection Fund is in a net surplus position of £347k with respect to Council Tax. The surplus during the year was £190k. The NHDC share of this surplus position is £54k. As part of the budget setting process for 2014/15 no contribution to or from the collection fund was planned to or from the general fund budget.

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

- 9.2 The Accounts and Audit Regulations 2011 require that the responsible finance officer certify that the Annual Statement of Accounts presents a true and fair view of the financial position of the Authority by no later than 30 June of the following year. A Committee or Member meeting must then consider and approve, by way of resolution, the Statement of Accounts by the 30 September.

10.0 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 general fund balance of £3.933million meets the recommended minimum balance of General Fund reserves agreed when the budget was set. The minimum balance for 2014/15 of £2million contains a 5% tolerance on original net expenditure for unknown risks and an allowance of £1.2million for identified key financial risks which had a total potential risk value of £6million.

11.0 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 mitigate against the risk of an unplanned overspend of the overall Council budget.

12.0 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.

13.0 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.

14.0 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.

15.0 APPENDICES

- 15.1 Appendix A - General Fund Summary.
15.2 Appendix B - Carry Forward Budgets requested for 2014/15.
15.3 Appendix C - Collection Fund as at 31 March 2014.

16.0 CONTACT OFFICERS

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17 BACKGROUND PAPERS

- 17.1 Budget Estimate Book 2013/14 and 2014/15:
http://www.north-herts.gov.uk/index/council_and_democracy/budgets_and_spending/budgets_for_this_year.htm

Statement of Accounts 2012/13

http://www.north-herts.gov.uk/index/council_and_democracy/budgets_and_spending/statement_of_accounts.htm