

TITLE OF REPORT: ITEM REFERRED FROM CABINET: 14 JUNE 2016 – REVENUE BUDGET OUTTURN 2015/16

The following is an extract from the Draft Minutes of the Cabinet meeting held on 14 June 2016.

13. REVENUE BUDGET OUTTURN 2015/16

The Executive Member for Finance and IT presented the report of the Strategic Director of Finance, Policy and Governance in respect of the Revenue Budget Outturn 2015/16. The following appendices were submitted with the report:

Appendix A – General Fund Summary;
Appendix B – Carry Forward Budgets requested for 2016/17; and
Appendix C – Collection Fund as at 31 March 2016.

The Executive Member for Finance and IT referred to the Executive Summary and the various tables of information contained in the report, as follows:

- Net General Fund expenditure for 2015/16 (Tables 1 and 2) - Forecast net expenditure in 2015/16 was £15.507million. This was a £750,000 (4.84%) decrease on the working budget;
- Budgets Carried Forward from 2014/15 (Table 3) - Of the £464,000 of carry forward budgets into 2015/16, £343,000 (74%) had been spent. Of the remaining unspent amount of £121,000, a total of £109,000 was requested to be carried forward again into 2016/17;
- Achievement of Efficiencies (Table 4) – The £185,000 of agreed efficiency proposals had been overachieved by £73,000 (39.5%);
- Key Financial Indicators (Table 5) – The key financial indicators had been monitored throughout 2015/16 and one was at red status (Building Control income);
- General Fund Reserve Balance (Table 6) - The General Fund reserve had a balance of £7.085million at 31 March 2016. This was £5.391million higher than the minimum balance approved for 2016/17 of £1.694million;
- Allowance for financial risks (Table 7) - The 2015/16 budgeted minimum General Fund balance of £1.673million included an allowance of £873,000 for identified financial risks. £528,000 of these risks had been realised in 2015/16, leaving a remaining balance of £345,000;
- Earmarked Reserves and Provisions (Tables 8 and 9) - As at 1 April 2015 there was a balance of £4.937million in other useable earmarked reserves. The balance at 31 March 2016 was £4.606million. A total of £912,000 was held as bad debt provision (excluding Collection Fund bad debt provision) at 31 March 2016; and
- Collection Fund (Appendix C) - At 31 March 2016 the Collection Fund had a deficit balance of £1.05million. The Council's share of this deficit was £444,000.

The Executive Member for Finance and IT commented that the reference in Recommendation 2.3 of the report should be to Paragraph 8.7 (not 8.6) and in Recommendation 2.4 should be Paragraph 8.8 (not 8.7). In respect of Recommendation 2.5, the reference should be to Paragraphs 8.16 – 8.18 (not 8.15 – 8.17), and the net amount to be transferred from earmarked reserves should be £331,000 (not £291,000).

RESOLVED:

- (1) That the contents of the report be noted;
- (2) That a decrease of £750,000 in the 2015/16 General Fund expenditure (Paragraph 8.1, Table 1 refers) to £15.507million, be approved;

- (3) That the changes to the 2016/17 General Fund budget identified in Paragraph 8.1, Table 1, involving an increase in net expenditure of £225,000, and including the total carry forward into 2016/17 of budgets from 2015/16 of £660,000 (Paragraph 8.7 refers) be approved; and
- (4) That the transfer of £44,000 from the underspend on the General Fund to the Strategic Priority fund to enable Corporate Board to undertake invest to save and/or continuous improvement projects (Paragraph 8.8 refers) be approved.

RECOMMENDED TO COUNCIL: That the net transfer from earmarked reserves of £331,000 (as set out in Paragraphs 8.16 - 8.18 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 2016; 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 14 June 2016 (as amended).

TITLE OF REPORT: REVENUE BUDGET OUTTURN 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 as at the end of the financial year 1 April 2015 to 31 March 2016.
- 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 as at 31 March 2016 and any transfers to/from reserves.
- 1.6 This report updates Cabinet on the projected General Fund balance at the end of 2016/17 as a result of the 2015/16 outturn position.
- 1.7 This report updates Cabinet on any requests for 2015/16 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 £750k in the 2015/16 General Fund expenditure (Paragraph 8.1, Table 1 refers) to £15.507million.
- 2.3 That Cabinet approves the changes to the 2016/17 General Fund budget identified in paragraph 8.1, table 1, a £225k increase in net expenditure and the total carry forward into 2016/17 of budgets from 2015/16 of £660k (paragraph 8.7 refers).
- 2.4 That Cabinet approves the transfer of £44k from the underspend on the General Fund to the Strategic Priority fund to enable Corporate Board to undertake invest to save and/or continuous improvement projects (paragraph 8.8 refers).
- 2.5 That Cabinet recommend that Council approve the net transfer to earmarked reserves of £331k, (Paragraph 8.16 to 8.18 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 30 June 2016.
- 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 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 5 February 2016.

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 2015 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. Subsequent to the approval of 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.
- 7.4 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 £42k of additional employee costs to support the Careline Service operations although it was expected that increased income would cover the costs.
- 7.5 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. 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 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.
- 7.6 At 3rd Qtr the projected net expenditure on the General Fund was estimated to be £16.258million, this was a net decrease in the budget of £179k. Of this reduction in spend in this financial year, £129k was requested to be carried forward and spent in

2016/17. The overall impact, including the £129k of budget carried forward, on the 2016/17 base budget reported at 3rd quarter was an increase of £295k.

- 7.7 The Accounts & Audit Regulations 2015, require the Statement of Accounts to be signed off by the responsible finance officer (RFO) by the 30th June and approved by Committee by 30 September. The 2015 Regulations will require the Statement of Accounts to be considered following a “public rights” exercise” (objection/ inspection/ questioning) and approved by Committee (signed and dated by the Chair, and re-confirmed by the RFO) by 31 July. This latter provision will be delayed under transitional arrangements.
- 7.8 At the Council meeting on the 11th February 2016 a general fund balance for 2016/17 of a minimum of £1.694million was recommended to be maintained.

8. ISSUES

Executive Summary

Issue & Relevant Table	Comment
Net general fund expenditure for 2015/16 (Table 1 and 2)	Net expenditure in 2015/16 was £15.507million. This is a £750k (or 4.84%) decrease on the working budget.
Budgets Carried Forward from 2014/15 (Table 3)	Of the £464k of budgets carried forward into 2015/16 £343k (74%) has been spent. Of the remaining unspent amount of £121k, a total of £109k is requested to be carried forward again into 2016/17.
Achievement of Efficiencies (Table 4)	The £185k of agreed efficiency proposals were over achieved by £73k, or 39.5%.
Key Financial Indicators (Table 5)	The key financial indicators have been monitored throughout 2015/16 and one is at red status (Building Control income).
General Fund Reserve Balance (Table 6)	The general fund reserve has a balance of £7.085million at 31 st March 2016. This is £5.391million higher than the minimum balance approved for 2016/17 of £1.694million.
Allowance for financial risks (Table 7)	The 2015/16 budgeted minimum general fund balance of £1.673million included an allowance of £873k for identified financial risks. £528k of these risks have been realised in 2015/16 leaving a remaining balance of £345k.
Earmarked Reserves and Provisions (Table 8 & 9)	As at 1 April 2015 there was a balance of £4.937 million in other useable earmarked reserves. The balance at 31 March 2016 is £4.606million. A total of £912k is held as bad debt provision (excluding Collection Fund bad debt provision) at 31 March 2016.
Collection Fund (Appendix C)	At 31 March 2016 the Collection Fund has a deficit balance of £1.05million. The Council’s share of this deficit is £444k.

General Fund – Income and Expenditure

- 8.1 The net expenditure on the General Fund for the period 1st April 2015 to 31st March 2016 was £15.5071million. This is a net decrease of £750k (or 4.84%) on the working budget of £16.2575million. The significant changes (+/- £25K or +/- 25% of the working budget) to the General Fund expenditure are detailed in table 1. There is a permanent budget decrease of £44k and £269k of carry forwards that have been requested which results in a net increase in estimated spend in 2016/17 of

£225k. If approved the revised estimated net expenditure for 2016/17 will be £17.073million.

Table 1: Significant changes to the General Fund

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease (-) £'000	Comment	Effect on 2016/17 Budget £'000
Housing Benefit:					
Housing Benefit Payments	+38,169	+37,811	-358	Final Housing Benefit Payments and subsidy are lower than estimated on the mid year estimate due to less claimants. Claimant numbers for 2014/15 were 7,442 and in 2015/16 this dropped to 7,113.	
Housing Benefit Subsidy	-37,698	-37,518	+180		
Overpayments Bad Debt Provision	+421	+441	+20		
Overpayments Income	<u>-650</u>	<u>-494</u>	+156	£494k of Housing Benefit overpayments income was raised in 2015/16 compared to £893k in 2014/15. In 2014/15 the DWP, in conjunction with HMRC, began mapping claimants that were receiving a welfare benefit to their declared income (known as the Right Time Initiative). This had the effect of identifying many substantial HB overpayments in 2014/15. Although this joint initiative continued in 2015/16, the volume and size of overpayments identified by the Right Time Initiative substantially reduced.	
Total	+242	+240	-2		
Council Tax and NNDR Summons Income:					
Council Tax Summons	-308	-279	+29	Collection rates for council tax have improved this year; 98.13% for 2015/16 compared with 97.84% in 2014/15. This has resulted in a decrease in the number of summons issued; hence the reduction in the corresponding summons income.	
NNDR Summons	<u>-27</u>	<u>-16</u>	<u>+11</u>	Collection rates for NNDR have improved this year; 97.99% for 2015/16 and 96.94% in 2014/15. This	
Total	-335	-295	+40		

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease (-) £'000	Comment	Effect on 2016/17 Budget £'000
				has resulted in a decrease in the number of summons issued, which has consequently reduced the summons income.	
Homelessness:					
Temporary Accommodation Spend	+268	+284	+16	Expenditure is reviewed each quarter and off set with Housing Benefit subsidy income that NHDC can claim back. However spend has not been fully recovered this year due to a combination of; an element of each housing benefit claim being ineligible for payment; a small number of cases which have not qualified for housing benefit as the forms were not submitted; other claims that are not eligible for full housing benefit as they concern working applicants. While closer monitoring of this process has been introduced, it is anticipated this shortfall will reduce significantly in the future as B&B placements are minimised.	
Temporary Accommodation Income	<u>-268</u>	<u>-247</u>	<u>+21</u>		
Total	0	+37	+37		
Area Committees	+132	+153	+21	A carry forward of Area Committee budgets totalling £114k were agreed at Month 8 monitoring. However a large number of grant applications were received in the January and March meetings and the majority were released before the end of the year. This has reduced the amount of carry forward budget that is requested for 2016/17.	-21
Hitchin Town Hall Community Facility	+67	+5	-62	Due to delays in fully opening the building, expenditure on staffing, energy, marketing, events and the operation of the café and kitchen has been minimal against the approved £67k budget provision. £15k of the	+15

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease (-) £'000	Comment	Effect on 2016/17 Budget £'000
				unspent budget is requested to be carried forward to cover marketing and publicity of the Town Hall in 2016/17.	
Bank Charges	+150	+91	-59	This budget was increased at 1 st Qtr 2015/16 based on the volume of transactions in the first four months of the financial year. Transaction volumes have however subsequently decreased and, in addition, NHDC has received a £20k refund from Lloyds. NHDC spotted the fact that the bank incorrectly charged the authority over a six month period 10p per bacs transaction instead of the agreed contract price of 1p per BACS transaction.	-51
Waste Services:					
Waste Minimisation	+170	+135	-35	£32k of the AFM funded Waste Minimisation budget was due to be spent on Waste Management software in 2015/16. Initial meetings took place with the developer, however due to other priorities, implementation has been delayed and installation of the programme is planned for the new financial year and a carry forward of the earmarked amount is requested.	+32
MSU:					
Document Imaging Contract	+130	+76	-54	Budget allocations have been awarded from the Strategic Priorities Fund for the legal scanning of title deeds (£32k) and also a general back scanning project (£30k) linked in with the office accommodation project. The two projects are still to be completed so a carry forward is requested of £28k for the general back scanning project and £21k for the legal project.	+49

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease (-) £'000	Comment	Effect on 2016/17 Budget £'000
Planning Control:					
Fees and Charges Income	-562	-615	-53	Overachievement of planning application income follows the receipt of four major applications in February.	
Strategic Priorities Fund	+39	0	-39	An original budget of £100k was approved for the strategic priorities fund, and investment bids totalling £61k were received for 2015/16. The £39k remaining is requested to be carried forward. £4k of this has already been earmarked to fund the financial system upgrade. The remaining £35k will go towards the new allocation of £100k for 2016/17.	+39
Legal:					
Fees and Charges Income	-16	-54	-38	The legal team undertook an income generation project in 2015/16 where work was done for other local authorities. The income generated from this project has exceeded targets. The capacity of the team to continue to carry out this work is still being assessed and depends on the level of internal demand. Additionally the consistency of demand from other authorities is still being assessed and therefore it is currently difficult to predict whether these figures are indicative of likely future income or not.	
IT					
IT Maintenance	+565	+530	-35	In the past 12 months IT have managed to successfully renegotiate many software and hardware contracts with reduced annual revenue costs. The majority of these contracts have been negotiated using the Crown	

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease (-) £'000	Comment	Effect on 2016/17 Budget £'000
				Commercial Services Frameworks, which has resulted in significant savings on both software and hardware contracts. During the past 12 months, the ICT Manager has been working closely with Senior Service Managers to ensure NHDC has the appropriate software licences and have terminated contracts or service contracts where they are either no longer required or the ICT Department has written software or apps to replace them. This budget will be monitored closely in 2016/17, and the budget will be adjusted if permanent savings are realised.	
Land Charges:					
Land Charges Reserve	-21	-6	+15	Total income has been overachieved by £48k due to continued high demand for searches. £33k will be left in the General Fund to fully pay back the deficit accumulated over the last 3 years. The rest has been transferred to the land charges reserve to fund future IT investment or offset future deficits.	
Land Charges Income	<u>-170</u>	<u>-218</u>	<u>-48</u>		
Total	-191	-224	-33		
Shared Anti Fraud Service	+92	+60	-32	£20k contingency was built into the budget when the contract was first set up. The Shared Anti Fraud Service (SAFS) have confirmed that they have no need to draw upon this contingency in 2015/16. In 2016/17 onwards the contract price will increase from £60k to £75k but this will be a fixed price that is not set to change, so the £20k contingency will fund the contract increase. There was also an underspend of £12k that was potentially needed for additional resources due to adhoc	

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease (-) £'000	Comment	Effect on 2016/17 Budget £'000
				work still being picked up by the authority after the DWP merger. This was not needed for 2015/16 but arrangements are being put in place for 2016/17, which the remaining £5k from the contingency budget will help to fund.	
Active Communities:					
Get Active Project	+80	+50	-30	The 'Get Active North Herts' programme is a 3 year programme funded by Sport England. The project runs from January 2016-2019 however Sport England pay in two instalments every year of exactly 50% of the annual budget. Payments are made in January and June and therefore do not necessarily reflect the spending profile for the financial year. The variance is requested to be carried over as it is external grant funded income that is being spent in the 2nd Sport England quarter commencing April 2016.	+30
Plan Projects:					
Churchgate	+22	0	-22	A carry forward of £30k of the Council approved funds (7.3 refers) for legal and property development advice in relation to this project was approved at Qtr3, The remaining £22k was anticipated to be spent in 2015/16, however the project was then put on hold pending any new proposals that may come forward. Officers are aware of the likelihood that a further proposal will be made during 2016/17 and it is therefore considered prudent to carry forward the remaining budget at the present time.	+22

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease (-) £'000	Comment	Effect on 2016/17 Budget £'000
Vacancy Control Savings Target	+21	0	-21	The vacancy control savings target has been overachieved in 2015/16. This is due to a number of senior posts being vacant for part of the year, for example in Planning and Finance. It is requested that this budget is carried forward and transferred to the Strategic Priorities Fund in 2016/17.	+21
Careline – General Fund:					
Transfer of Total Surplus/Deficit from trading account	-56	+46	+102	Please refer to Paragraph 8.2 for explanation	
Staff Restructure	+42	0	-42	Funding was approved in 2015/16 for a staff restructure but due to the timing of the consultation and the job evaluation process, spend will not occur until 2016/17. It is therefore requested to carry this budget forward.	+42
Advertising	+33	+14	-19	Marketing activities for various ad-hoc projects have taken priority this year, for example the Local Government Chronicle Awards. Requested to carry forward these funds as the planned marketing activities that were due to take place in 2015/16 will now take place in 2016/17.	+19
Other minor variances			-374		+28
Total change in General Fund expenditure compared to the working budget			-750		+225

Careline

8.2 The Council's assistive technology service, Careline, was fundamentally reengineered during the course of 2015/16 following Cabinet's resolution, in September 2013, to change its business objectives so that it could generate

sustainable surpluses where circumstances permitted. This rebalancing of trading activity resulted in like-for-like revenues increasing by £579k per annum (80.9%) as compared with 2014/15; consequentially, Careline's total net deficit reduced by 86.3% in the same period.

- 8.3 The Careline service made a net direct surplus, and hence a contribution to the relevant Council overheads, of £201k in the financial year. This compares to a net direct deficit reported of £146k for 2014/15. The overall net deficit (after capital financing charges and recharges) of £102k reported for Careline for 2015/16, is an improvement of £234k on the £336k overall deficit reported for 2014/15.

Table 2 Careline Operations 2015/16

2014/15 Outturn £'000	Trading Account	Working Budget £'000	Outturn £'000	Variance to Projection £'000
1,041 (895)	Direct Costs External Income	1,087 (1,380)	1,094 (1,295)	+7 +85
146	Net Direct (Surplus) /Deficit	(293)	(201)	92
30	Capital Financing Charges	30	41	+11
163	Support Service Charges	214	209	-5
(3)	Internal Service Income	(7)	(3)	+4
336	Total Net (Surplus) / Deficit	(56)	46	102

- 8.4 As Careline has expanded rapidly in both size and service offering relatively recently, income forecasts to the end of the year could not be based on or referenced to empirical performance data from previous years, including any seasonal variations in activity. This therefore made the production of robust income estimates in 2015/16 more difficult than would be the case with a more established service. A thorough review of Careline's pricing model and its costs (both direct and internally recharged) will take place in 2016/17.

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

- 8.5 There was a total of £464k of budgets carried forward from 2014/15 into 2015/16. As at the 31 March 2016 £343k of these budgets had been spent.
- 8.6 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. Of the remaining unspent amount of £121k, a total of £114k is requested to be carried forward again into 2016/17, which are listed in table 3. The majority of these requests were highlighted and approved at month 8 and quarter 3 reporting. Details of all carry forward requests are included in Appendix B.

Table 3: Progress of 2014/15 carry forward budgets unspent at 31/03/16

Carry Forward	Budget £'000	Outturn £'000	Underspen d £'000
Street Plates and Signs for Parking	57	31	-26
E Billing Software	5	0	-5
Area Committee Grants	90	73	-17
Extension of boundary of Chiltern Area of Outstanding Beauty	20	0	-20
Economic Development Officer	20	0	-20
HCC Grounds Maintenance	37	11	-26
Total of unspent carry forwards			-114

Carry Forward of Budgets from 2015/16 to 2016/17

- 8.7 Members were informed at month 8 and the 3rd quarter that £391k of 2015/16 budgets would be requested to be carried forward into 2016/17. Following spend in the final quarter of the year, the total final amount requested to be carried forward from 2015/16 into 2016/17 is £660k. A breakdown of amounts requested with accompanying explanation is presented in Appendix B.
- 8.8 Members are asked to approve the transfer of £44k from the underspend in 2015/16 into the Strategic Priorities Fund in the following year. Along with the Strategic Priorities Fund carry forward of £35k (carry forward requested is £39k but £4k has already been committed, so £35k is available for 2016/17 funds) and the £21k carry forward on the Vacancy Control budget, this will bring the total un-committed amount in the fund to £100k. The fund provides Corporate Board with authority to approve the allocation of the funds during the year for invest to save or continuous improvement projects as the opportunity arises.

Efficiency Proposals Incorporated in the 2015/16 Budget

- 8.9 A total of £185k of proposals were approved within the 2015/16 budget and a total of £258k was achieved in 2015/16. This represents an overachievement of £73k (or 39.5%). This is summarised in table 4.

Table 4: Summary of all 2015/16 efficiency proposals

	Original Budgeted Efficiency in 2015/16	Actual Efficiency	Variance
	£'000	£'000	£'000
Expenditure Reduction:			
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
Income Generation:			
Increase in parking income following review of tariffs	29	104	75
Other	9	7	-2
Grand Total	185	258	73

Key Corporate 'Financial Health' Indicators

- 8.10 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.

Table 5 – Key Corporate ‘Health’ Indicators

Indicator	Original Budget	Working Budget	Outturn	Variance to Original Budget
	£’000	£’000	£’000	£’000
Building Control Fees - RED	-355	-340	-333	+22
Planning Application Fees – GREEN	-431	-562	-615	-184
Land Charges - GREEN	-170	-170	-219	-48
Car Parking Fees - GREEN	-1,535	-1,638	-1,651	-117
Parking Penalty Charge Notices – GREEN	-410	-475	-482	-72

- 8.11 The number of building control fee earning applications are up on the same period last year (832 in 2015/16 compared to 785 in 2014/15), while the number of non-fee earning applications has continued to increase (8,376 in 2015/16 compared to 7,808 in 2014/15). Fee income has increased this year, £333k in 2015/16 compared to £312k in 2014/15. However even though the level of income compared to the working budget was underachieved, this has been managed within budgets by reducing expenditure. There have been a number of vacancies within the year which has had an impact on the level of fee income achieved, along with increased competition in the private sector.

General Fund Balance as at 31 March 2016

- 8.12 A summary of the general fund expenditure and income is shown in appendix A. The General Fund balance as at 31 March 2016 is £7.085million. This is £933k higher than projected at 3rd quarter 2015/16 and £1.390million higher than the projected balance of £5.695million when the original budget was approved in February 2015. The main reason for the difference is that actual general fund net expenditure in 2015/16 was lower than planned, as detailed in the quarterly monitoring reports during the year, while retained business rates income for 15/16 was higher than anticipated.
- 8.13 A total of £451k of identified financial risks were realised during the first three quarters of 2015/16. The original budgeted allowance for identified financial risks for 2015/16 was £873k. Two identified financial risks were realised in quarter 4 resulting in additional expenditure of £77k. These were;
- An increase in the movement of Council tax and Overpayments bad debt provision (as explained in paragraph 8.18)
 - Underachievement of NNDR and Council Tax summons income (as highlighted in table 1)
- 8.14 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 2016

Projected General Fund Balances	£’000
Balance Brought Forward (1/4/2015)	6,022cr
Net Spend (including precepts, excluding contribution from Special Reserve)	16,540dr
Precept Receipts & Government Grants	17,563cr
Levy Payment covered from S31 Grant Reserve	40cr
Balance Carried Forward (31/3/2016)	7,085cr

Table 7: Minimum General Fund Balance

	£'000
Original allowance for identified financial risks	873cr
Original allowance for unknown financial risks	800cr
Original minimum general fund balance	1,673cr
Identified financial risks realised in quarter 1	381dr
Identified financial risks realised in quarter 2	23dr
Identified financial risks realised in quarter 3	47dr
Identified financial risks realised in quarter 4	77dr
Revised minimum general fund balance, due to identified risks having been realised.	1,145cr
The balance consists of two elements:	
Allowance for identified financial risks	345cr
Allowance for unknown financial risks	800cr
	1,145cr

- 8.15 The Statement of Accounts has yet to be audited, (deadline of 30 September 2016), 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 2016) the accounts are based on un-audited figures.

Earmarked Reserves and Provisions

- 8.16 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 should create a provision, but it should do so when there is a liability of uncertain timing or amount, but a reasonable estimate can be made of the likely amount that 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.
- 8.17 The Council has a number of earmarked reserves which can be used to fund revenue expenditure. These are detailed in Table 8. A total of £1.617million has been contributed to the reserves in 2015/16 and a total of £1.948million has been used to fund expenditure. This net expenditure of £331k leaves a total balance in earmarked reserves at 31 March 2016 of £4.606million.
- 8.18 The majority of the contribution and expenditure was within the DCLG grants reserve. This is the S31 grant from the DCLG to fund the extension to the Small Business Rate Relief scheme and other measures announced in the Autumn Financial Statement. £1.3million was used to fund the Council's share of the 2014/15 deficit within the business rates collection fund , while £887k was this year's grant contributions from the DCLG.

Table 8 – Earmarked Reserves 2015/16

	Balance at 1 April 2015	Contributions	Payments to Fund expenditure	Balance at 31 March 2016
	£'000		£'000	£'000
Cemetery Mausoleum	103cr	15cr	0	118cr
Children's Services	13cr	6cr	9dr	10cr
Climate Change Grant	49cr	0	19dr	30cr
Community Development	1cr	0	0	1cr
Community Right to Bid	45cr	0	0	45cr
DCLG Grants	1,045cr	997cr	1,493dr	549cr
DWP Additional Grants	42cr	54cr	83dr	13cr
Environmental Warranty Reserve	209cr	0	0	209cr
Growth Area Fund	53cr	0	0	53cr
Homelessness	22cr	33cr	22dr	33cr
Housing Planning Delivery Reserve	259cr	118cr	7dr	370cr
Information Technology Reserve	152cr	0	70dr	82cr
Insurance Reserve	38cr	2cr	4dr	36cr
Leisure Management Reserve	69cr	20cr	0	89cr
Local Authority Mortgage Scheme	56cr	26cr	0	82cr
Museum Exhibits Reserve	13cr	0	0	13cr
Neighbourhood Plan Reserve	40cr	25cr	10dr	55cr
Office Move IT Works	7cr	0	0	7cr
Paintings Conservation	15cr	0	2dr	13cr
Performance Reward Grant Reserve	50cr	0	50dr	0
Personal Search Fees	185cr	136cr	142dr	179cr
Property Maintenance	58cr	10cr	10dr	58cr
S106 Monitoring	95cr	4cr	15dr	84cr
Special Reserve	1,720cr	0	0	1,720cr
Street Furniture	3cr	4cr	1dr	6cr
Street Name Plates	0cr	8cr	0	8cr
Taxi Licences Reserve	2cr	4cr	0	6cr
Town Centre Maintenance	37cr	8cr	11dr	34cr
Town Wide Review	169cr	53cr	0	222cr
Waste Reserve	387cr	94cr	0	481cr
Total Revenue Reserves	4,937cr	1,617cr	1,948dr	4,606cr

8.19 The Council 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 below in paragraphs 8.19 and onwards. The level of bad debt provision at 31 March 2015 and 31 March 2016 for all other debtors is shown in table 9. A bad debt provision is used when a debt is written off because it cannot be collected. During 2015/16 a total of £17k of sundry debtors were written off, £318k of housing benefit overpayments were written off and £151k of car parking penalty charge notices were either waived following a successful challenge or written off. The increase in the Housing Benefit Overpayments bad debt provision from £481k at 31 March 2015 to £604k as at 31 March 16 is primarily due to payment terms for overpayment debt being agreed over long periods of time, which has consequently increased the proportion of older debt in the profile of the total debt outstanding. The higher the age of the debt means an increase in the percentage of debt that is provided for, as it is considered there is a greater risk that the debt will not be collected.

Table 9: Bad Debt Provisions (non Collection Fund)

Type of Debt	Outstanding Debt as at 31 March 2015 £'000	Bad Debt Provision as at 31 March 2015 £'000	Outstanding Debt as at 31 March 2016 £'000	Bad Debt Provision as at 31 March 2016 £'000
Sundry Debtors	(1,358)	250	(794)	237
Housing Benefit Overpayments	(1,851)	481	(1,671)	604
Car Parking Penalty Charge Notices	(150)	74	(149)	71
Total	(3,359)	805	(2,614)	912

Collection Fund

- 8.20 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.
- 8.21 The activity on the Collection Fund in 2015/16 is summarised in the Collection Fund Income and Expenditure Statement in Appendix C. 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.
- 8.22 The opening balance on the Collection Fund overall (Council Tax and Business Rates combined) was a net deficit of £3.03million and there was an overall net surplus of £1.98million on the collection fund in 2015/16. The surplus in year is largely due to paying back the cumulative deficit on business rates of £1.3million. As a result, the overall balance on the Collection Fund at the year end is a net deficit of £1.05million. The £1.05m balance is made up of a surplus on the Council Tax collection fund of £345k and a deficit in business rates collection of £1.43million. The NHDC share of the overall balance is a deficit of £444k.
- 8.23 The business rates collection fund is in a deficit position primarily as a result of transitional surcharge payments. The payments for 2014/15 were £70k and in 2015/16 these jumped to £570k, which has reduced the total rates income collected and hence increased the deficit on the business rates collection fund. These payments have been made to companies that were assessed as paying too much in business rates in the last revaluation and the scheme had been in place for five years when it came to an end on 31 March 2015. Any outstanding appeals, however, settled post March 2015 that originally received the surcharge would have the amount of surcharge adjusted depending on the reduction of rateable value (RV) and this could be backdated to 1st April 2010. Without knowing which appeals would be successful and how much the reduction in RV would be, providing an estimate of this surcharge payment is extremely difficult. As at the 31st March 2016 there are still appeals with rateable value worth £27.8million outstanding.
- 8.24 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 Council has received £854k of S31 grant 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.

Since 2014/15 the S31 grant has been transferred into an earmarked reserve and this has been used to pay off the cumulative deficit on business rates at the end of 2014/15 of £1.3million and the levy payment for 2014/15 of £153k, and 2015/16 of £40k. The balance on the reserve at the 31st March 2016 is £436k.

- 8.25 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 levy that would have been owed to the DCLG is £131k if North Herts was not part of the pool. This is reduced by the pooling gain which Herts County Council, as pool lead, has calculated to be £91k. This gives a revised levy figure of £40k. This is currently based on estimates but there should not be a material difference when the final figures are received. While this has no impact on the general fund position in 2015/16, the benefit of the reduced net levy is that less S31 grant is needed 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.
- 8.26 A total of £36.6million was owed to the Collection Fund from business rate payers in the District for 2015/16 after all deductions and exemptions. Payments from the Collection Fund for business rates were made on the basis of the original estimate for 2015/16, submitted to Government on the NNDR 1 form in January 2015. The Council paid £3.8million (10%) to Hertfordshire County Council and £19.1million (50%) to Central Government as their share of the business rate estimate for 2015/16 £15.3million (40%) was paid to the NHDC general fund as the District share of the estimate for 2015/16. However, the Authority then paid £12.7million from the general fund to Herts County Council (as pool lead to pay to over to DCLG) in the form of a tariff, leaving the Authority with £2.5million to help fund general fund activities.
- 8.27 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 £181k for 2015/16.
 - Write off of uncollectible amounts and increase in bad debt provision – Debt that is deemed uncollectible is written off. The amount written off in 2015/16 was £376k. 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 bad debt provision was £646k (the provision at 31st March 2015 was £639k).
 - Provision for Appeals – Regulation requires that the Authority make provision for appeals (both backdated and in year appeals). At the 31st March 2016 there was a total of £27.8million of rateable value subject to appeal. This results in a calculated provision of £2.27million for appeals.

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. The Finance Audit and Risk Committee will approve the accounts at their September meeting.

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 general fund balance of £7.085million (table 6) meets the recommended minimum balance of General Fund reserves agreed when the budget was set and is consistent with the planned intention to increase balances in the short term in order to allow a lead in time for the delivery of projects needed to balance the budget over the medium to longer term. The minimum balance for 2016/17 of £1.694million contains a 5% tolerance on original net expenditure for unknown risks and an allowance of £843K for identified key financial risks which had a total potential risk value of £6.2million.
- 10.3 The final outturn position is still to be finalised as Herts County Council have only provided estimated figures.

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.
- 15.2 Appendix B - Carry Forward Budgets requested for 2016/17.
- 15.3 Appendix C - Collection Fund as at 31 March 2016.

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17. BACKGROUND PAPERS

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