

**TITLE OF REPORT: FIRST QUARTER REVENUE MONITORING 2013/14**

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

*Please note that this report is in a draft format prior to presentation to Cabinet on 24 September 2013 and the Finance, Audit and Risk Committee are invited to review this draft report for noting and comment as appropriate.*

**1. SUMMARY**

- 1.1 The purpose of this report is to inform Cabinet of the summary position on income and expenditure for the period April to June 2013 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, 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 2013/14 General Fund budget identified in paragraph 8.1, table 1, a £69k decrease in net expenditure.
- 2.3 Cabinet is requested to approve the changes to the 2014/15 General Fund budget identified in paragraph 8.1, table 1, a £3k 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 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 28 June 2013.

## 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.

## 8. ISSUES

### Executive Summary

Issue & Relevant Table	Comment
Net general fund expenditure for 2013/14 (Table 1)	Forecast net expenditure at 1 <sup>st</sup> Qtr is £17.016million. This is a £69k (or 0.4%) decrease in the working budget and is £325k (or 2%) higher than the original budget.
Budgets Carried Forward from 2012/13 (Table 2)	Of the £489k of carry forward budgets into 2013/14 £133k (27%) has been spent by the end of the first quarter. There are three carry forwards at amber status that may not be spent by the end of the year.
Achievement of Efficiencies (Table 3)	It is expected the £835k of agreed efficiency proposals will be achieved, or 98%.
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 £2.9million at 31 March 2014. This is £600k higher than the originally approved minimum balance of £2.3million.
Allowance for financial risks (Table 6)	The budgeted minimum general fund balance of £2.3million included an allowance of £1.5million for

Issue & Relevant Table	Comment
	known financial risks. As at the end of the first quarter none of these risks had been realised.
Earmarked Reserves (Table 7)	As at 1 April 2013 there was a balance of £2.713million in other useable earmarked reserves. The balance is forecast to be £2.432million at 31 March 2014.

### General Fund – Income and Expenditure

- 8.1 The projected expenditure on the General Fund is now estimated to be £17.016million. This is a net decrease of just £69k on the working budget of £17.085million. 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 2014/15 of £3k as a result of the ongoing impact of the variances reported in 2013/14.

**Table 1: Significant changes to the General Fund**

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2014/15 Budget £'000
On Street Parking – income from Penalty Charge Notices	-165	-265	-100	The result of a number of factors combining to increase income raised from on street parking Penalty Charge Notices relative to previous years. These include increased staffing levels; there is now a full complement of staff in post and available for deployment; the implementation of a review on areas covered and the hours of enforcement, and an increase in parking activity more generally. The position is being kept under review as it remains to be seen whether the relative increase in enforcement activity has any knock-on effects either in motorist behaviour, the number of cancelled penalty charge notices or the level of bad debts; all of which would reduce the levels of income reported.	0
Careline – net cost to the general fund (including overheads)	+184	+148	-36	The improved position for 2013/14 is mainly a result of reduced contract costs for equipment. The uncertainty around the future provision of services to HCC has resulted in a delay in the deployment of the planned marketing investment programme and corresponding increase in customer base.	-22
Development Control – staffing funded by housing and planning delivery grant	-79	-48	+31	Staff that were funded from Housing and Planning Delivery Grant (HPDG) are now re-assigned to undertake work to be funded from the Local Plan Reserve. The earmarked funding	0

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2014/15 Budget £'000
				available in the reserve is not adequate to cover the recharged overheads that had previously been funded by HPDG.	
Interest receivable from cash investments	-704	-681	+23	The average interest rate achieved on new investments in the first quarter was 0.75%, against a budgeted assumption of 1%.	0
Bank Charges	+75	+94	+19	The increase in total expected bank charges reflects an increase in the number of customers choosing to pay by credit and debit card. The Council incurs a fee for each transaction.	+19
Sports Development – Grant for the Herts Youth Games	+8	0	-8	The games committee changed the way the games were organised this year in order to generate savings and reduce the cost of the games. The national governing bodies took responsibility for recruiting coaches but not all coaches were recruited. Officers also successfully applied for some one off external grants which covered most of the costs that the Council did incur. The organisation of the games will return to the original format next year so the same level of savings will not be generated.	0
Other minor variances			+2		+6
<b>Total change in General Fund expenditure</b>			<b>-69</b>		<b>+3</b>

### Carry Forward of Budgets from 2012/13 to 2013/14

- 8.2 There are a total of £489k of budgets carried forward from 2012/13 into 2013/14. As at the end of the first quarter £133k of these budgets had been spent.
- 8.3 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. There are three carry forwards at amber status and the remainder are at green status, at the end of June 2013. This indicates there are three carry forward budgets that are still anticipated will be spent but there is a risk this may not be achieved in the normal timeframe.

**Table 2 - Progress of carry forward budgets**

Carry Forward	Amber/ Red	Budget £'000	Projected Variance £'000	Explanation
Strategic Priority Fund for 2013/14	A	100	0	As at the end of June a total of £56k remained un-allocated to projects. It is likely there will be further proposals for funding coming forward to Challenge Board over the next quarter, but of course there is a risk that it may not be possible to complete all the projects within the financial year.
Street Plates and Signs	A	25	0	A district wide review of lines and signs has been commissioned. This will set out a maintenance programme where the work will be prioritised and implementation will begin from October 2013.
Boundary extension to the Chilterns Area of Outstanding National Beauty	A	20	0	Discussions have taken place with The Chilterns Conservation Board to seek their support in progressing an application for extending the AONB Boundary. Officers are in discussion with the Chilterns Conservation Board and Natural England regarding the submission of a formal application. Progression of this work is subject to further guidance by Natural England.

**Efficiency Proposals Incorporated in the 2013/14 Budget**

8.4 A total of £850k of proposals were approved within the 2013/14 budget. As at the end of the first quarter it is anticipated £835k (or 98%) will be achieved in 2013/14. This is summarised in Table 3. The underachievement of £15k is with respect to Careline. Since the budget approval, HCC has confirmed interest in the proposal to expand Careline's service to private clients across the county. The new proposals will be reported to Cabinet in September, when permission will be sought to release investment as previously agreed. This results in a delay in commencing the investment, and therefore will effect achievement of the additional income this financial year.

**Table 3: Summary of all 2013/14 efficiency proposals**

	Original Budgeted Saving in 2013/14 £'000	Projected Saving as at end of 1 <sup>st</sup> Qtr £'000	Variance £'000
Budget Scrutiny Reductions	323	323	0
Senior Management Restructure	115	115	0
Other Staff Restructures	344	344	0
<b>Sub-total</b>	<b>782</b>	<b>782</b>	<b>0</b>
Other Detailed Efficiency Proposals	26	26	0
Other Income Generation Proposals	42	27	+15
<b>Total Proposed</b>	<b>68</b>	<b>53</b>	<b>+15</b>
<b>Grand Total</b>	<b>850</b>	<b>835</b>	<b>+15</b>

### Key Corporate 'Financial Health' Indicators

- 8.5 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
	£'000	£'000	£'000	£'000
Building Control Fees – Green	-461	-461	-95	0
Planning Application Fees - Green	-431	-431	-108	0
Land Charges - Green	-160	-160	-66	0
Car Parking Fees - Green	-1,657	-1,657	-416	0
Council Tax Support Scheme - Green	+7,249	+7,249	N/A	-120

- 8.6 The number of Building Control fee earning applications are slightly reduced on the same period last year (214 in 2013/14 compared to 234 in 2012/13), while the number of non-fee earning applications are increased (1,856 in 2013/14 compared to 1,216 in 2012/13). At this early stage in the year the projected income budget has not been adjusted.
- 8.7 The number of Planning Control fee earning applications are consistent to the same period last year (374 in 2013/14 compared to 373 in 2012/13), while the number of non-fee earning applications are slightly increased (291 in 2013/14 compared to 216 in 2012/13). At this early stage in the year the projected income budget has not been adjusted.
- 8.8 The number of local land charges searches completed in the first quarter was greater than the same period in the last two years. For example, the number of full residential searches was 498 compared to 430 in 2012/13 and 420 in 2011/12. The amount of income received is ahead of profile but until such time as the outcome of the outstanding legal case is known the budgets will not be adjusted.
- 8.9 Car Park ticket sales and income was relatively consistent to previous years for the same period. The number of tickets purchased in the first quarter for each of the towns was as follows:
- Hitchin: 163,934 (163,262 in 2012/13)  
 Letchworth: 52,884 (52,107 in 2012/13)  
 Royston: 64,057 (64,810 in 2012/13)
- 8.10 The number of claims for Council Tax support has been fairly constant during the first quarter of the year and the projected total council tax support in 2013/14 is around £120k less than the "budget". Note that the "budget" for the scheme is within the Collection Fund and not the General Fund, although the District share of any deficit on the Collection Fund would need to be met from the General Fund. It is still early in the financial year and difficult to predict if the current trends will continue, however provided there is not a sudden increase in the number of claimants and collection rates are maintained for the rest of the year, the scheme should come in under budget for

2013/2014. There was a significant risk that Council Tax collection rates would be significantly reduced as a result of the Council Tax Reduction Scheme, however so far this has not proved to be the case.

### General Fund Balances Projected for 2013/14

- 8.11 The revision to the 2013/14 working budget of General Fund projected net expenditure will result in a decrease of £69k in expenditure during the year and hence an increase in the year end balances available for general fund purposes.
- 8.12 Known financial risks have not been realised in the first quarter. A summary of the transactions to the projected year end general fund balance is shown in Table 5 and the movement of the necessary minimum general fund balance is shown in Table 6. The projected general fund balance is in excess of the minimum required balance.

**Table 5: Projected General Fund Balances as at 31 March 2014**

Projected General Fund Balances	£'000
<b>Balance Brought Forward (1/4/2013)</b>	<b>3,159cr</b>
Projected Net Spend (including precepts)	17,979dr
Precept Receipts & Government Grants	17,722cr
Contribution to/from Special Reserve	0
<b>Balance Carried Forward (31/3/2014)</b>	<b>2,902cr</b>

**Table 6: Approved Minimum General Fund Balance**

	£'000
<b>Original minimum general fund balance</b>	<b>2,300cr</b>
Known financial risks realised in quarter 1	0
<b>Revised minimum general fund balance</b>	<b>2,300cr</b>
The balance consists of two elements:	
Allowance for known financial risks	1,500cr
Allowance for unknown financial risks	800cr
	<b>2,300cr</b>

## Earmarked Reserves

- 8.13 The Council has a number of earmarked reserves which can be used to fund revenue expenditure, these are detailed in Table 7.

**Table 7 – Earmarked Reserves 2013/14**

	Balance at 1 April 2013	Projected Contributions	Payments to Fund expenditure	Balance at 31 March 2014
	£'000	£'000	£'000	£'000
Special Reserve	967cr	0	0	967cr
Housing Planning Delivery Reserve	346cr	0	242dr	104cr
Information Technology Reserve	316cr	0	76dr	240cr
Environmental Warranty Reserve	209cr	0	0	209cr
Performance Reward Grant Reserve	64cr	0	64dr	0
Insurance Reserve	17cr	7cr	0	24cr
Cemetery Mausoleum	96cr	0	0	96cr
S106 Monitoring	71cr	17cr	18dr	70cr
Homelessness	43cr	88cr	43dr	88cr
Building Control Reserve	46cr	0	0	46cr
DWP Additional Grants	33cr	0	0	33cr
Climate Change Grant	25cr	0	3dr	22cr
Museum Exhibits Reserve	13cr	0	0	13cr
Property Maintenance	18cr	10cr	0	28cr
Paintings Conservation	10cr	0	0	10cr
Childrens Services	8cr	0	3dr	5cr
Hitchin Museum Donations	2cr	0	0	2cr
Leisure Management Reserve	32cr	20cr	0	52cr
Town Wide Review	178cr	0	0	178cr
Town Centre Maintenance	24cr	0	0	24cr
Community Right to Bid	13cr	16cr	0	29cr
Street Furniture	2cr	0	0	2cr
Office Move IT Works	7cr	0	0	7cr
Local Authority Mortgage Scheme	6cr	10cr	0	16cr
DCLG Grants	10cr	0	0	10cr
Growth Area Fund	53cr	0	0	53cr
Community Development	7cr	0	0	7cr
Personal Search Fees	97cr	0	0	97cr
<b>Total Revenue Reserves</b>	<b>2,713cr</b>	<b>168cr</b>	<b>449dr</b>	<b>2,432cr</b>

## 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 £2.902million meets the recommended minimum balance of General Fund reserves agreed when the budget was set, after adjustments for the financial risks which have occurred. The minimum balance for 2013/14 contains a 5% tolerance on original net expenditure for unknown risks and an allowance of

£1.5million for identified key financial risks which had a total potential risk value of £7.9million.

- 10.3 A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £192,685 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. The Council has put aside funds of £97,000 as at 31 March 2013 in an earmarked reserve and has also made allowance in the general fund balance by identifying this issue as a financial risk.

## **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 mitigate 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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## **16 BACKGROUND PAPERS**

17.1 Estimate Book 2013/14  
Statement of Accounts 2012/13