

This report is in a draft format prior to presentation to Cabinet on 10 December 2013.

TITLE OF REPORT: SECOND QUARTER REVENUE BUDGET MONITORING 2013 - 2014**REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE****1. SUMMARY**

- 1.1 The purpose of this report is to inform Cabinet of the summary position on income and expenditure for the period July to September 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 £263k 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 £33k 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 To ensure that changes to the Council's balances are monitored and approved.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Budget holders have considered the options to operate within the existing budget and 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.
- 7.3 At 1st Qtr 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.

8. ISSUES

Executive Summary

Issue & Relevant Table	Comment
Net general fund expenditure for 2013/14 (Table 1)	Forecast net expenditure for 2013/14 is £16.753million. This is a £263k (or 1.5%) decrease in the working budget and is £62k (or 0.4%) higher than the original budget.
Budgets Carried Forward from 2012/13 (Table 2)	Of the £489k of carry forward budgets into 2013/14 £146k (30%) has been spent by the end of the second quarter. There are four carry forwards at amber status that may not be spent by the end of the year.
Achievement of Efficiencies (Table 3)	Efficiency proposals were originally £850k, as at second qtr the total efficiencies that will be achieved has increased to £856k.
Key Financial Indicators (Table 4)	Building Control income is now at amber, the rest of the key financial indicators remain on green.

General Fund Reserve Balance (Table 5)	The general fund reserve is now forecast to have a balance of £2.37million at 31 March 2014. This is after a contribution of £800k to the special reserve. This is £66k 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 known financial risks. This was subsequently revised to £1.3million when risks were realised at the end of 2012/13. As at the end of the second quarter £92k of these risks have 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 £3.457million at 31 March 2014.

General Fund – Income and Expenditure

- 8.1 The projected expenditure on the General Fund is now estimated to be £16.753million. This is a net decrease of £263k on the working budget of £17.016million. 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 £33k 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
Planning Control – Fees and Charges	-518	-601	-83	An increase in Planning Application income for this year due to the receipt of two major applications with significant fees.	
On Street Parking:					
Income from Commuter Permits	-20	0	+20	This income budget was a legacy of a proposal from the Business Planning process in 2011/12 to introduce Commuter Parking Permits. This proposal has not been taken forward and the scheme is not expected to be launched. A pilot scheme is under investigation as part of the Letchworth town wide review.	+20
Income from Penalty Charge Notice	<u>-265</u>	<u>-340</u>	<u>-75</u>	PCN income to date has now surpassed the total income received for the whole of 2012/13.	
Total Variance	-285	-340	-55	This is due to a combination of factors, firstly there is now a full complement of staff in post. A review on the areas covered and	

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2014/15 Budget £'000
				the hours of enforcement has been implemented and there has been an increase in parking activity generally.	
Markets:					
Hitchin Market Contract	-7	-21	-14	Renegotiation of the Hitchin Market Contract has increased income to the council to £28k per annum from 1 st August 2013.	
Royston Market Agreement	<u>+60</u>	<u>+20</u>	<u>-40</u>	As part of the Royston market agreement with Royston Town Council, market contract payments and rent payments to NPK will cease from the 1 st August 2013. The full year saving from the agreement will be reflected in the 14/15 efficiency proposal.	
Total Variance	+53	-1	-54		
Housing and Council Tax Benefit payments	+39,183	+38,377	-806	£766k reduction in spend relates to Housing Benefit Payments. This latest forecast reflects the mid year estimate submitted to the DWP. The remaining £40k reduction relates to Council Tax benefit payment refunds from the previous scheme.	-766
Housing Benefit Subsidy	<u>-38,975</u>	<u>-38,209</u>	<u>+766</u>	Adjustment to Housing Benefit subsidy to reflect the mid year estimate submitted to DWP. The HB payments and subsidy adjustments offset.	<u>+766</u> 0
Total Variance	+208	+168	-40		
Letchworth Town Council	0	-22	-22	Income is the balance of Letchworth Town Council's account which they have transferred to NHDC.	
Shared Internal Audit Contract	+127	+114	-13	When the SIAS contract was started, a contingency amount was built into the budget over and above the contingency days that SIAS built into their costs, in case additional resource was needed. This is not required so can be taken out of the budget in 13/14.	
Community Centre and Halls – temporary staff budget	+44	+36	-8	Due to the closure of Hitchin Town Hall, the halls administration can be absorbed within the MSU so the budget can be reduced.	

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2014/15 Budget £'000
Highways – Christmas Trees	+20	+13	-7	Saving from alternative Christmas tree supplier. The quotation exercise was completed for one year only. A further quotation exercise will be carried out for Christmas 2014 in the next financial year. The quality of the trees received this year will be assessed and taken into consideration when getting further quotes in future years.	
External Telephones	+19	+32	+13	This increase is due to the increased number of mobile phone numbers being used as the preferred means of contact by telephone. Calls to mobile phone numbers incur a higher rate charge. Actions are ongoing to reduce this cost by doing a wider review of the NHDC telephony function	+13
Cost of Democracy - Printing	+33	+41	+8	£12k was offered up as an efficiency as a reduction in the number of agendas that were going to be printed for committees. Unfortunately there has been an increase in the amount of colour prints required for committees. A colour print is charged at 12.5p compared to 3.8p for non colour. As a result the full efficiency will not be achieved this year. Actions are being taken to reduce the number of colour prints where this will not impact on the readability of the information contained in the report.	
Other minor variances			-2		0
Total change in General Fund expenditure			-263		+33

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 second quarter £146k 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 four carry forwards at amber status and the remainder are at green status, at the end of September 2013. This indicates there are four carry forwards that are still anticipated to 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 September a total of £75k 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 March 2014. Due to the delay in implementation there is a possibility that the budget will need to be carried forward into 2014/15. This will be reviewed at 3 rd Qtr.
Boundary extension to the Chilterns Area of Outstanding National Beauty	A	20	0	Officers through the Chilterns Conservation Board have submitted a formal application to Natural England for their consideration. Progression of this work is subject to further guidance by Natural England. It is not anticipated that Natural England will be seeking to progress the application this financial year. Officers will continue to track progress and engage positively with the Chilterns Conservation Board and Natural England on how this proposal is progressed. It is likely this will need to be carried forward into 2014/15 and will be reviewed at 3 rd Qtr.
Accolaid Licensing Module	A	9	0	The final testing was due to be completed in July 2013 but this may now slip to Jan/Feb 14. The further delay is due to a delay in the new version of the Accolaid upgrade.

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 second quarter it is anticipated £856k will be achieved in 2013/14. This is summarised in table 3.

Table 3: Summary of all 2013/14 efficiency proposals

	Original Budgeted Saving in 2013/14	Projected Saving as at end of 2nd Qtr	Variance
	£'000	£'000	£'000
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	62	-36
Other Income Generation Proposals	42	12	+30
Total Proposed	68	74	-6
Grand Total	850	856	-6

The overachievement of £6k is made up of an over and under achievement of a number of proposals. These are listed below:

	Original Budgeted Saving in 2013/14	Projected Saving as at end of 2nd Qtr	Variance	Reasons for Variance
Distribution of Committee Papers	-12	-4	+8	There has been a marked increase in the amount of colour pages required for committee agendas. The budget was based largely on the use of black and white pages, charged at 3.8p per page. A colour page is charged at 12.5p.
Customer Self Service	-4	0	+4	Due to the implementation of Civica, this software has not been implemented so no savings have been achieved. This will be implemented by the end of the financial year but will not generate the savings in 13/14
Royston Market	0	-48	-48	The negotiations with Royston Town Council on the Royston Market agreement has generated a larger saving than anticipated.
Careline Income	-30	0	+30	The new proposals were reported to Cabinet in September, when permission was sought to release investment as previously agreed. This has resulted in a delay in commencing the investment, and therefore will effect achievement of the additional income this financial year. The Marketing Officer will not

				be recruited until January 2014, and as there will be an estimated 6 month delay in seeing any increased revenues as a result of marketing activity, no additional revenue will be achieved this year.
Total	-46	-52	-6	

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 £'000	Working Budget £'000	Actual to date £'000	Projected Variance to Original Budget £'000
Building Control Fees – Amber	-461	-461	-183	+84
Planning Application Fees - Green	-431	-431	-336	-83
Land Charges - Green	-160	-167	-132	-50
Car Parking Fees - Green	-1,657	-1,657	-875	+38
Council Tax Support Scheme - Green	+7,249	+7,249	N/A	-127

- 8.6 The number of Building Control fee earning applications are reduced on the same period last year (416 in 2013/14 compared to 454 in 2012/13), while the number of non-fee earning applications are increased (3,882 in 2013/14 compared to 2,599 in 2012/13). The projected income has reduced by £84k at 2nd Qtr, which is considered likely to result in a projected £43k deficit at the end of the year. The reduction in income is due to do the current economic climate and increased competition from the private sector. There is enough money in the reserve to cover the deficit, however this will reduce the reserve to £3k, so any future deficits will have to be funded from the general fund.
- 8.7 The number of Planning Control fee earning applications are slightly reduced to the same period last year (676 in 2013/14 compared to 691 in 2012/13), while the number of non-fee earning applications are increased (593 in 2013/14 compared to 430 in 2012/13). Due to two major applications received at 2nd Qtr the income projection has increased.
- 8.8 The number of local land charges searches completed in the second quarter was greater than the same period last year. (990 residential searches and 119 commercial searches in 13/14 compared to 834 residential and 108 commercial in 12/13) The amount of income received is ahead of profile, the income target has been adjusted but has been transferred to a reserve. This reserve is for the personal search ongoing legal case.

- 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 second quarter for each of the towns was as follows:
 Hitchin: 332,778 (326,122 in 2012/13)
 Letchworth: 111,706 (106,236 in 2012/13)
 Royston: 135,568 (130,699 in 2012/13)
- 8.10 The number of claims for Council Tax support has been fairly constant during the second quarter of the year and the projected total council tax support in 2013/14 is around £127k 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 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 £263k in expenditure during the year and hence an increase in the year end balances available for general fund purposes. An £800k contribution to the special reserve is proposed which will still leave the General Fund balance above the approved minimum required level.
- 8.12 Known financial risk of £92k have been realised at 2nd 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
Balance Brought Forward (1/4/2013)	3,159cr
Projected Net Spend (including precepts)	17,715dr
Precept Receipts & Government Grants	17,722cr
Contribution to Special Reserve	800dr
Balance Carried Forward (31/3/2014)	2,366cr

Table 6: Approved Minimum General Fund Balance

	£'000
Original minimum general fund balance	2,300cr
Revision to known financial risks at closure 12/13	178dr
Known financial risks realised in quarter 1	0
Known financial risks realised in quarter 2	92dr
Revised minimum general fund balance	2,030cr
The balance consists of two elements:	

Allowance for known financial risks	1,230cr
Allowance for unknown financial risks	800cr
	2,030cr

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 £'000	Projected Contributions £'000	Payments to Fund expenditure £'000	Balance at 31 March 2014 £'000
Special Reserve	967cr	800cr	0	1,767cr
Housing Planning Delivery Reserve	346cr	0	17dr	329cr
Information Technology Reserve	316cr	0	93dr	223cr
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	43dr	3cr
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
Children's Services	8cr	0	8dr	0cr
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	2dr	22cr
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	0	0	10cr
Growth Area Fund	53cr	0	0	53cr
Community Development	7cr	0	0	7cr
Personal Search Fees	97cr	50cr	0	147cr
Total Revenue Reserves	2,713cr	1,037cr	293dr	3,457cr

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 £2.366million 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 £147,000 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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17. BACKGROUND PAPERS

- 17.1 Previous reports to the Finance, Audit and Risk Committee and Cabinet.