

TITLE OF REPORT: FIRST QUARTER REVENUE MONITORING 2014/15

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

Note: This report is in a draft format prior to presentation to Cabinet on 23 September 2014

1. SUMMARY

- 1.1 The purpose of this report is to inform Cabinet of the summary position on General Fund income and expenditure for the period April to June 2014.
- 1.2 This report will highlight significant variances (+/- £25K or +/- 25 per cent) 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 2014/15 General Fund budget identified in Paragraph 8.1, Table 1, a £17k decrease in net expenditure.
- 2.3 Cabinet is requested to approve the changes to the 2015/16 General Fund budget identified in Paragraph 8.1, Table 1, a £74k decrease 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 30 June 2014.

7. BACKGROUND

- 7.1 Members approved the General Fund 2014/15 estimates in February 2014 and approved General Fund net expenditure of £15.636million. In addition to the 2014/15 original budget, Members subsequently approved carry forward budgets of £351k and a net increase to the base budget of £127k. These were approved at the March and June meetings of Cabinet. The total working budget for 2014/15 was, therefore, £16.114million.
- 7.2 The 2014/15 General Fund estimates included efficiency proposals of £1.514million, an amount of £150k for growth pressures and an investment proposal of £20k agreed as part of the Corporate Business Planning process, and an allowance of £1.2million 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 2014/15 (Table 1)	Forecast net expenditure at 1 st Qtr is £16.097million. This is a £17k (or 0.1%) decrease in the working budget and is £461k (or 3%) higher than the original budget.
Budgets Carried Forward from 2013/14 (Table 2)	Of the £351k of carry forward budgets into 2014/15 £57k (16%) 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 £1.47million of agreed efficiency proposals will be achieved, or 97%.
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 £4.6million at 31 March 2015. This is £2.6million higher than the originally approved minimum balance of £2million.
Allowance for financial risks (Table 6)	The budgeted minimum general fund balance of £2million included an allowance of £1.2million for known financial risks. As at the end of the first quarter £26k of these risks had been realised.

Issue & Relevant Table	Comment
Earmarked Reserves (Table 7)	As at 1 April 2014 there was a balance of £4million in other useable earmarked reserves. The balance is forecast to be £4.5million at 31 March 2015.

General Fund – Income and Expenditure

- 8.1 The projected expenditure on the General Fund is now estimated to be £16.097million. This is a net decrease of just £17k on the working budget of £16.114million. The significant changes (+/- £25K or +/- 25% of the working budget) to the General Fund expenditure are detailed in table 1. There is a decrease in estimated spend in 2015/16 of £74k as a result of the ongoing impact of the variances reported in 2014/15.

Table 1: Significant changes to the General Fund

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2015/16 Budget £'000
Housing Benefit Payments	38,417	39,217	+800	Increase of £41k on the net budget reflecting the mid year estimate. Increase is mainly due to increase in unrecoverable overpayments. Additional discretionary housing payments resulting from welfare reforms are funded by Government grant.	0
Funded by: Subsidy	-38,210	-38,829	-619		
Gov Grant (discretionary housing payments)	-20	-160	-140		
Net Cost	187	228	41		
Discretionary Business Rate Relief	+132	+102	-30	This is the delayed impact on the general fund of an overall reduction in the cost to the Council of discretionary rate relief as a result of a change in status of a key recipient.	-30
Commercial Rental Income	-1,012	-1,020	-8	Rent reviews during the quarter have resulted in an increase in rents for some tenants. Occupancy of the property portfolio has also improved.	-23
Taxi Licensing	-113	-132	-19	An increase in the number of applications and an increase in the number of applications for 2/3 year licences.	0
Printers/Copiers	+59	+39	-20	The projected underspend follows the decision to extend the current contract for the existing fleet of photocopiers by a further 12 months and is the result of the discount negotiated.	0
Efficiency target for outsource of payroll project	-25	0	+25	The permanent saving from the outsourcing of the payroll function is now estimated to be £20k, although zero in 14/15. The underachievement of the planned £25k saving is due to the SAP licences cost (plus additional one-	+5

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2015/16 Budget £'000
				off costs in 14/15), the liability for which was only clarified after the saving had been estimated. Earlier email correspondence with Serco had stated that the Payroll Service would be delivered using the County SAP application at no additional licence cost to NHDC. The additional one-off redundancy costs will be met from the special reserve.	
Off street car parking – income from charges	-1,390	-1,371	+19	The budget included an additional £157k to be achieved in year from the introduction of a new tariff structure. This was calculated on the basis that a new structure would be in operation by June/July 2014. Officer discussions with the portfolio holder for Policy, Transport and Green Issues have taken place to finalise tariff structure proposals, with the intention that a new tariff structure is in place by October 2014. The variance is an estimate of the income lost from the three month delay. The impact has however been partially mitigated by the increase in parking activity in the year to date relative to the same period last year.	0
Public Conveniences – cleaning and maintenance	+59	+44	-15	The retender of the Public Convenience cleaning and maintenance contract has resulted in an annual saving against existing provision of £16,000. The new supplier, DANFO, commenced their operation on the 29 April 2014, hence the expenditure reduction in 14/15 reflects the part-year impact of the new contract.	-16
Planning Policy – Outdoor Sports Facility Study	+40	+55	+15	Following the recently published National Planning Policy Guidance supporting the National Planning Policy Framework, it has become necessary to extend the scope of the study to include indoor sports provision in order to meet the national guidance. It is a requirement of the NPPF that planning policies should be based on robust and up-to-date assessments of the needs for open space, sports and recreation facilities and opportunities for new	0

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2015/16 Budget £'000
				provision. It is estimated that this will result in expenditure of approx. £15k on the project in addition to the already approved efficiency investment of £20k.	
Other minor variances			-25		-10
Total change in General Fund expenditure			-17		-74

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

- 8.2 There are a total of £351k of budgets carried forward from 2013/14 into 2014/15. As at the end of the first quarter £57k 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 2014. 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 Priorities Fund	A	68	0	Approximately £25k of this budget remains uncommitted. The Senior Management Team are requested to bring forward bids for funding at any stage of the years.
Area Committee Budgets	A	79	0	£14k of carried forward funds from 2013/14 has now been released. The majority of the remaining balance of carry forwards relate to committed funds within the Hitchin, Southern Rural and Baldock Area Committee budgets. The Chairs & Members of each Committee during the September cycle of area meetings will be advised accordingly as to the possible utilisation / release or reallocation of such funds, prior to any new allocations being awarded from each of the Committees' respective 2014/15 Base Budget. The matter will also be reviewed at the Area Chairs & Vice Chairs meeting on 09/10/14.
Extending boundary of Chiltern Area of Natural Beauty	A	20	0	The decision on whether this work takes place is with Natural England, the application has been submitted by the Chilterns Conservation Board on behalf of NHDC and the Board is waiting to hear their decision on whether the application has been successful. Officers will

				continue to track progress and engage positively with the Chilterns Conservation Board and Natural England on how this proposal is progressed.
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Efficiency Proposals Incorporated in the 2014/15 Budget

8.4 A total of £1.514million of proposals were approved within the 2014/15 budget. As at the end of the first quarter it is anticipated £1.470million (or 97 per cent) will be achieved in 2014/15. This is summarised in Table 3. The underachievement of £44k is with respect to the outsource of the payroll function and the inflationary increase in off street car parking charges. These are explained in Table 1. The ongoing impact on future years is anticipated to be £5k. .

Table 3: Summary of all 2014/15 efficiency proposals

	Original Budgeted Saving in 2014/15	Projected Saving as at end of 1 st Qtr	Variance
	£'000	£'000	£'000
Staff structure changes	149	124	+25
Hitchin Leisure Management Contract	156	156	0
Letchworth Leisure Management Contract	500	500	0
Market contracts	57	57	0
Reduction in investment in Area Wide Parking Reviews	65	65	0
Acquisition of District Council Offices	208	208	0
Collection of income for penalty charge notices	100	100	0
Temporary closure of Museums	55	55	0
New contracts / agreements	50	50	0
Reduction in grant to Parish Councils for Council Tax Reduction Scheme	11	11	0
Other	6	6	0
Sub-total	1,357	1,332	+25
Increase in parking income following review of tariffs.	157	138	+19
Grand Total	1,514	1,470	+44

Key Corporate 'Financial Health' Indicators

8.5 There are five 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 – Green	-351	-351	-82	0
Planning Application Fees - Green	-431	-431	-150	0
Land Charges - Green	-167	-167	-64	-11
Car Parking Fees - Green	-1,466	-1,439	-346	+19
Parking Penalty Charge Notices - Green	-410	-410	-126	0

- 8.6 The number of building control fee earning applications are slightly up on the same period last year (221 in 2014/15 compared to 214 in 2013/14) but is less than 2012/13 and prior years, while the number of non-fee earning applications has continued to increase (2,004 in 2014/15 compared to 1,856 in 2013/14). At this early stage in the year the projected income budget has not been adjusted.
- 8.7 The number of development control fee earning applications are also up on the same period last year (407 in 2014/15 compared to 382 in 2013/14) and the number of non-fee earning applications are also higher (286 in 2014/15 compared to 249 in 2013/14). 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 576 compared to 498 in 2013/14 and 430 in 2012/13. The amount of income received is ahead of profile.
- 8.9 The number of car park tickets purchased in the first quarter is higher than the past two years in each of the towns:
Hitchin: 167,245 (163,984 in 2013/14)
Letchworth: 55,058 (52,884 in 2013/14)
Royston: 73,714 (64,057 in 2013/14)
- 8.10 The number of penalty charge notices issued for car parking was 3,554 in the first quarter of 2014/15. This compares to 3,791 in the same quarter of 2013/14 and 2,156 in 2012/13.

General Fund Balances Projected for 2014/15

- 8.11 The revision to the 2014/15 working budget of General Fund projected net expenditure will result in a decrease of £17k in expenditure during the year and hence an increase in the year end balances available for general fund purposes.
- 8.12 Three known financial risks have been realised in the first quarter resulting in additional unbudgeted expenditure of £26k. A summary of the transactions to the projected year end general fund balance is shown in table 5 and the realisation of known financial risks is shown in table 6. The projected general fund balance is in excess of the minimum balance of £2million approved by Council in February.

Table 5: Projected General Fund Balances

Projected General Fund Balances	£'000
Balance Brought Forward (1/4/2014)	3,932cr
Projected Net Spend (including precepts)	17,097dr
Precept Receipts & Government Grants	17,762cr
Contribution to/from Special Reserve	0
Balance Carried Forward (31/3/2014)	4,597cr

Table 6: Known Financial Risks

	£'000
Original allowance for known financial risks	1,200cr
Known financial risks realised in quarter 1	26dr
Remaining allowance for known financial risks	1,174cr

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. A total of £953k is projected to be contributed to the reserves in 2014/15 and a total of £503k is expected to be used to fund expenditure. This will leave a projected amount in earmarked reserves at 31 March 2015 of £4.452million. A significant element of the contribution to reserves in 2014/15 will be the section 31 grant from government for compensation of business rate reliefs (see Para 8.16 below).

Table 7 – Earmarked Reserves 2014/15

	Balance at 1 April 2014 £'000	Contributions £'000	Payments to Fund expenditure £'000	Balance at 31 March 2015 £'000
Special Reserve	1,767cr	0	25dr	1,742cr
Housing Planning Delivery Reserve	243cr	0	116dr	127cr
Information Technology Reserve	293cr	0	146dr	147cr
Environmental Warranty Reserve	209cr	0	0	209cr
Performance Reward Grant Reserve	50cr	0	50dr	0
Insurance Reserve	28cr	0	0	28cr
Cemetery Mausoleum	96cr	0	0	96cr
S106 Monitoring	88cr	15cr	30dr	73cr
Homelessness	28cr	0	28dr	0
Building Control Reserve	0	0	0	0
DWP Additional Grants	27cr	27cr	39dr	15cr
Climate Change Grant	53cr	0	0	53cr
Museum Exhibits Reserve	13cr	0	0	13cr
Property Maintenance	28cr	10cr	0	38cr
Paintings Conservation	13cr	0	0	13cr
Childrens Services	7cr	0	7dr	0
Hitchin Museum Donations	0	0	0	0
Leisure Management Reserve	49cr	0	20dr	69cr
Town Wide Review	180cr	0	17dr	163cr

	Balance at 1 April 2014	Contributions	Payments to Fund expenditure	Balance at 31 March 2015
Town Centre Maintenance	31cr	8cr	0	40cr
Street Name Plates	4cr	0	4dr	0
Community Right to Bid	29cr	16cr	0	45cr
Street Furniture	4cr	0	4dr	0
Office Move IT Works	7cr	0	7dr	0
Local Authority Mortgage Scheme	31cr	25cr	0	56cr
DCLG Grants	492cr	852cr	0	1,344cr
Growth Area Fund	53cr	0	0	53cr
Community Development	1cr	0	1dr	0
Personal Search Fees	152cr	0	0	152cr
Electoral Services	9cr	0	9dr	0
Taxi Licences Reserve	17cr	0	0	17cr
Total Revenue Reserves	4,002cr	953cr	503dr	4,452cr

Funding of Net Expenditure

- 8.14 The Council's general fund net expenditure is funded by the Council Tax precept, revenue support grant, new homes bonus and the retained business rates. These were budgeted as follows:

Funding Source	2014/15 Original Estimate £'000	%
Revenue Support Grant	2,760	16%
Retained Business Rates	2,510	15%
New Homes Bonus	1,982	12%
Council Tax Precept	9,590	57%
Total Funding	16,842	100%

- 8.15 The revenue support grant and new homes bonus received should be consistent with the numbers above and should not change during the year. However, funding from council tax and business rates is dependent on the overall collection rates and in the case of business rates is dependent on the amount of appeals that are ultimately successful. Council Tax and Business Rates are accounted for separately in the Collection Fund. The Council had a £742k share of the collection fund deficit position at the 31 March 2014 and will have to budget to make a contribution from the general fund to the collection fund in 2015/16 to make good this deficit. There will, however, be funds available in an earmarked reserve to cover this contribution, as described in 8.16 below.
- 8.16 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 received a section 31 grant of £444k in 2013/14 in compensation for the small business rate relief scheme. This was transferred to an earmarked reserve and will be used to partly offset the collection fund deficit repayment in 2015/16. The Council will receive a further £770k in 2014/15 for the following measures which will also be initially

transferred to an earmarked reserve to help cover the further deficit which may form on the Collection Fund:

- Two per cent cap in the inflation increase for 2014/15
- Doubling of small business rate relief
- Relaxation of the small business rate relief second property rules
- £1,000 retail relief
- Reoccupation relief, and
- Empty new build measure

8.17 Overall collection of council tax and business rates in 2014/15 is anticipated to be consistent with original estimates at the end of the first quarter and so the collection fund is not expected to be in either a significant surplus or deficit position at year end. A further update will be provided at the second quarter when there is more data available.

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 £4.597million 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 2014/15 contains a 5% tolerance on original net expenditure for unknown risks and an allowance of £1.2million for identified key financial risks which had a total potential risk value of £6.2million.

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 £152,000 as at 31 March 2014 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 2014/15 [Budget Book 2014/15](#)

17.2 Statement of Accounts 2013/14 [Statement of Accounts](#)