

**TITLE OF REPORT: REVENUE BUDGET OUTTURN 2014/15**

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

**1. SUMMARY**

- 1.1 The purpose of this report is to inform Cabinet of the summary position on General Fund income and expenditure as at the end of the financial year 1 April 2014 to 31 March 2015.
- 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 2015 and any transfers to/from reserves.
- 1.6 This report updates Cabinet on the projected General Fund balance at the end of 2015/16 as a result of the 2014/15 outturn position.
- 1.7 This report updates Cabinet of any requests for 2014/15 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 £381k in the 2014/15 General Fund expenditure (Paragraph 8.1, Table 1 refers) to £14.831million.
- 2.3 That Cabinet approves the changes to the 2015/16 General Fund budget identified in paragraph 8.1, table 1, a £28k increase in net expenditure, including the total carry forward into 2015/16 of budgets from 2014/15 of £464k (paragraph 8.6 refers).
- 2.4 That Cabinet approves the transfer of £50k 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 8.7 refers).
- 2.5 That Cabinet recommend that Council approve the net transfer to earmarked reserves of £1.133million, (Paragraph 8.15 to 8.17 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 2015.
- 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 1 August 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. An allowance of £1.2million was put aside in reserves for known financial risks following an assessment of the risk register.
- 7.3 At 1<sup>st</sup> Qtr the projected net expenditure on the General Fund was estimated to be £16.097million, this was a net decrease on the working budget of £17k. A £74k decrease to the base budget for 2015/16 was also reported.
- 7.4 At 2<sup>nd</sup> Qtr the projected net expenditure on the General Fund was estimated to be £15.996million, this was a net decrease in the budget of £111k. A £56k increase to the base budget for 2015/16 was also reported.
- 7.5 At Month 8 monitoring the projected net expenditure on the General Fund was estimated to be £15.592million, this was a net decrease in the budget of £404k. A £57k decrease to the base budget for 2015/16 was also reported.
- 7.6 At 3<sup>rd</sup> Qtr the projected net expenditure on the General Fund was estimated to be £15.212million, this was a net decrease in the budget of £380k. Of this reduction in spend in this financial year, £188k was requested to be carried forward and spent in 2015/16. The net impact on the 2015/16 base budget reported at 3rd quarter was an increase of £139k.

7.7 The Accounts & Audit (England) Regulations 2011 (now revoked) and now the Accounts and 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 new 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 12<sup>th</sup> February 2015 a general fund balance for 2015/16 of a minimum of £1.673million was recommended to be maintained.

## 8. ISSUES

### Executive Summary

Issue & Relevant Table	Comment
Net general fund expenditure for 2014/15 (Table 1 and 2)	Net expenditure in 2014/15 was £14.831million. This is a £381k (or 2.5%) decrease on the working budget.
Budgets Carried Forward from 2013/14 (Table 3)	Of the £351k of budgets carried forward into 2014/15 £208k (59%) has been spent. Of the remaining unspent amount of £143k, a total of £113k is requested to be carried forward again into 2015/16.
Achievement of Efficiencies (Table 4)	The £1.514million of agreed efficiency proposals were over achieved by £136k, or 9%.
Key Financial Indicators (Table 5)	The key financial indicators have been monitored throughout 2014/15 and one is at red status (Building Control).
General Fund Reserve Balance (Table 6)	The general fund reserve has a balance of £5.986million at 31 <sup>st</sup> March 2015. This is £4.313million higher than the minimum balance approved for 2015/16 of £1.673million.
Allowance for financial risks (Table 7)	The budgeted minimum general fund balance of £2million included an allowance of £1.2million for identified financial risks. £518k of these risks have been realised in 2014/15 leaving a remaining balance of £682k.
Earmarked Reserves and Provisions (Table 8 & 9)	As at 1 April 2014 there was a balance of £3.999 million in other useable earmarked reserves. The balance at 31 March 2015 is £5.132million. A total of £805k is held as bad debt provision (excluding Collection Fund bad debt provision) at 31 March 2015.
Collection Fund (Appendix C)	At 31 March 2015 the Collection Fund has a deficit balance of £3.03million. The Council’s share of this deficit is £1.2million.

### General Fund – Income and Expenditure

8.1 The net expenditure on the General Fund for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015 was £14.831million. This is a net decrease of £381k (or 2.5%) on the working budget of £15.212million. The significant changes (+/- £25K or +/- 25% of the working budget) to the General Fund expenditure are detailed in table 1. There is a net increase in estimated spend in 2015/16 of £28k, of which additional expenditure of £39k

relates to the request of the carry forward of budgets from 2014/15 to 2015/16 for projects that were not completed by the end of the financial year. If approved the revised estimated net expenditure for 2015/16 will be £16.249million.

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

<b>Expenditure/ Income</b>	<b>Working Budget £'000</b>	<b>Outturn £'000</b>	<b>Increase / Decrease(-) £'000</b>	<b>Comment</b>	<b>Effect on 2015/16 Budget £'000</b>
<b>Corporate Budgets</b> Apprenticeship Scheme	+63	0	-63	The £63k underspend represents the resource remaining from the working budget of £183k. This unspent resource is not required in 2015/16 as £100K was approved to be carried forward from this budget at month 8 to supplement the £30k investment bid. There is a total budget of £130k to fund the scheme in 2015/16.	
<b>Debtors</b> Bad & Doubtful Debt Provision	+4	+120	+116	The sales ledger bad debt provision has increased significantly primarily due to CoinCo, who provided the cash collection service for the Council's parking ticket machines across the district, entering into administration at the end of November 2014 while owing NHDC £130k. A debtor invoice was raised for the outstanding amount but it has been decided to provide for the entire amount in the bad debt provision, as the likelihood of the council receiving payment is considered very low.	
<b>Amenity Areas</b> Contract Variation Service Orders	+199	+159	-40	The underspend on provision for service variation orders is due to slippage in planned maintenance work, with works ordered in year not completed before 31st March.	
<b>Burials Services</b> Interment Income	-129	-148	-19	Significantly higher levels of Burials income were recorded in Q4 of 2014/15 relative to previous years. Total burials income of £109k received in Q4 of 14/15 compares to £61k received in Q4 of 2013/14.	-17
Purchase of graves income	<u>-99</u>	<u>-123</u>	<u>-24</u>		<u>-18</u>
<b>Net Variance</b>	<b>-228</b>	<b>-271</b>	<b>-43</b>		<b>-35</b>
<b>Parking Services:</b> Off Street Parking Cash Collection Service	+34	+22	-12	Only invoices for cash collection services provided in April 2014 and May 2014 were paid by NHDC prior to the contractor CoinCo entering administration at the end of November 2014.	

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease(-) £'000	Comment	Effect on 2015/16 Budget £'000
Off Street Parking RingGo Transactions Income	-80	-90	-10	Parking activity throughout Q4 continued to exceed the level assumed in the budget, with no adverse impact on demand apparent from the introduction of the new tariff structure in January 2015.  Income has increased in recent years due to the growing number of Controlled Parking Zones within the district. It is requested to adjust the base budget to reflect the current level of activity.	-10
Off Street Parking Machine Transactions Income	-1,371	-1,403	-32		
Residents Parking Permits Income	<u>-122</u>	<u>-133</u>	<u>-11</u>		
<b>Net Variance</b>	<b>-1,539</b>	<b>+1,504</b>	<b>-65</b>		
<b>Public Conveniences</b> Repairs and Maintenance	+15	+3	-12	Minimal repairs and maintenance costs have been incurred in 14/15. The new contractor DANFO stated in their tender that ad-hoc repairs would be made free of charge and this has been honoured to a greater extent than expected.	
<b>Street Cleansing</b> Contract Variation Service Orders	+46	+13	-33	This underspend is in large part due to the cleansing of the Baldock bypass not being completed in this financial year. A carry forward is therefore requested to fund the completion of the project in 15/16.	+23
<b>Revenues &amp; Benefits</b> Postages	+57	+83	+26	The increased price of postage has meant increased postage costs. It is requested that the base budget is adjusted to reflect current prices.	+20
<b>Audit</b> SIAS Contract	+121	+110	-11	The working budget was based on the contracted delivery of 430 audit days, but actual audit days in 2014/15 totalled 395.5 days. The SIAS Audit Plan for 2015/16 indicates a requirement for 400 audit days in the next financial year, meaning a saving to NHDC of £10k in 2015/16.	-10

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease(-) £'000	Comment	Effect on 2015/16 Budget £'000
<b>Housing Benefits</b> Income from recouped benefit overpayments	-538	-656	-118	The level of collection has increased due to proactive work in collection of ongoing benefits. This will become much more difficult going forward as claims are converted to Universal Credit from December 2015.	
<b>IT</b> IT Support and Maintenance	+623	+745	+122	The £52k net variance is mainly due to overlapping software licences where services have had new software installed in year. There is usually a termination period on the current software that can range from 90 to 180 days. This results in expenditure incurred on both software licenses during the termination period.	
Contribution to/from IT reserve	<u>-6</u>	<u>-76</u>	<u>-70</u>	The £70K contribution from the IT reserve is to fund the Microsoft License. £140K has been earmarked in the IT reserve to fund this license in 15/16 and 16/17, with £70K built into the base budget from 17/18 onwards.	
<b>Net Variance</b>	<b>+617</b>	<b>+669</b>	<b>+52</b>		
<b>Commercial Properties</b> Rents Income	-993	-1,023	-30	The overachievement of the working budget is due to unplanned income receipts in 14/15, including a wayleave payment received of £13k.	
<b>Highways</b> Contracted Grounds Maintenance Works	+249	+212	-37	NHDC receive annual funding from HCC for highways grounds maintenance works. Not all of the external funding has been spent on works in this year due to other priorities; hence it is requested to carry forward the remaining budget into 2015/16.	+37
<b>Planning Control</b> Legal Fees	+5	+30	+25	Increased legal costs being awarded against NHDC in the settlement of a Planning Control appeal.	
Grants, reimbursements & Contributions	<u>-676</u>	<u>-763</u>	<u>-87</u>	An overall increase in applications, in particular for major developments, and requests for pre-application advice have contributed to an increase in fee income.	
<b>Net Variance</b>	<b>-671</b>	<b>-733</b>	<b>-62</b>		

Expenditure/ Income	Working Budget £'000	Outturn £'000	Increase / Decrease(-) £'000	Comment	Effect on 2015/16 Budget £'000
<b>Taxi Licensing</b>					
Fees and Charges Income	-136	-114	+22	The income shortfall against the working budget is due to a combination of; losing two private hire operators in year, a reduction in the number of drivers renewing their licences, a policy change that means the vehicle age at which 6 monthly vehicle license renewals are required has increased from 5 to 7 years, and a reduction in the overall number of licensed vehicles.	
Transfer from reserve	+0	-15	-15	A contribution from the taxi license reserve has been used to offset the overall net deficit on the Taxi licensing service in 14/15.	
<b>Careline</b>					
Employee Expenses	+563	+592	+29	Long term sickness required greater use of agency staff to keep services operating during the transfer operation and in the run-up to the launch of the new county-wide service on 1st April 2015.	
Community alarms & telecare equipment	+34	+88	+54	The sharp increase in both private and HCC funded clients in the final quarter of 14/15 required upfront equipment purchases.	
Cost of HCM subcontractors	+34	+63	+29	The increase in both private and HCC funded clients necessitated greater use of the Council's delivery partner, HCM, for installations.	
Fees & charges income	-84	-34	+50	Due to the significant delay in the transfer process the actual increase in new customers and their subscriptions did not take place until Q4 of 14/15.	
Other minor variances			-262		+14
<b>Total change in General Fund expenditure compared to the working budget</b>			<b>-381</b>		<b>+28</b>

## Careline

8.2 At the end of the year Careline has achieved £898k of income from fees and charges, sales and contributions. This has resulted in a net deficit (including overheads) of £336k in 2014/15. Careline made a net overall deficit of £143k in 2013/14 and is currently estimated to break even in 2015/16.

**Table 2 Careline Operations 2014/15**

<b>2013/14 Outturn £'000</b>	<b>Trading Account</b>	<b>Working Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance to Projection £'000</b>
866	Direct Costs	922	1,041	119
144	Recharge Expenditure	175	193	18
<b>1,010</b>	<b>Gross Expenditure</b>	<b>1097</b>	<b>1,234</b>	<b>137</b>
865	External Income	958	895	63
3	Recharge Income	4	3	1
<b>868</b>	<b>Gross Income</b>	<b>962</b>	<b>898</b>	<b>64</b>
<b>142</b>	<b>Net Deficit (funded by the general fund)</b>	<b>135</b>	<b>336</b>	<b>201</b>

- 8.3 The deterioration in the position for 2014/15 is primarily the result of the delay in acquiring new client bases from other areas within Hertfordshire. During the year NHDC Careline was awarded responsibility for service provision to new and existing clients of Affinity Sutton Housing Association, Broxbourne Borough Council and St Albans City & District Council. However the actual transfer of clients to Careline did not commence until the final quarter of the financial year. This therefore significantly reduced the chargeable service period, whilst all the associated upfront equipment costs from the transfer of clients were incurred in year. However the new service model, which is part funded by Hertfordshire County Council, will result in the elimination of the majority of equipment costs going forward and it is anticipated that the service will achieve breakeven in 2015/16.

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

- 8.4 There was a total of £351k of budgets carried forward from 2013/14 into 2014/15. As at the 31 March 2015 £208k of these budgets had been spent. Those carry forwards that remain unspent at 31 March 2014 are listed in table 3.
- 8.5 A condition of carry forwards is that there is a clear plan for spending the budget. The carry forward budgets are monitored during the year with a traffic light code to signify whether there is a problem with spending or completing the project within the timeframe. Of the remaining unspent amount of £143k, a total of £113k is requested to be carried forward again into 2015/16 and is included in the requests in Appendix B.

**Table 3: Progress of carry forward budgets**

<b>Carry Forward</b>	<b>Budget £'000</b>	<b>Outturn £'000</b>	<b>Underspend £'000</b>
Strategic Priority Fund	68	50	-18
Street Plates and Signs for Parking	41	9	-32
E Billing Software	5	0	-5
Credit Manager Survey	5	0	-5
Energy Efficiency Surveys	5	4	-1
Asbestos Surveys	23	4	-19
Long Term Office Accommodation Survey	5	4	-1
Area Committee Grants	79	45	-34
Stock Condition Survey	5	1	-4
Extension of boundary of Chiltern Area of Outstanding Beauty	20	0	-20
Road Markings	7	3	-4
<b>Total of unspent carry forwards</b>	<b>-143</b>		



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

- 8.6 Members were informed at the 3<sup>rd</sup> quarter that £188k of 2014/15 budgets would be requested to be carried forward into 2015/16. Following spend in the final quarter of the year, the total final amount requested to be carried forward from 2014/15 into 2015/16 is £464k. A breakdown of amounts requested with accompanying explanation is presented in Appendix B.
- 8.7 Members are asked to approve the transfer of £50k from the underspend in 2014/15 into a Strategic Priorities Fund in the following year. This will bring the total un-committed amount in the fund to £99k. 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 2014/15 Budget

- 8.8 A total of £1.514million of proposals was approved within the 2014/15 budget and a total of £1.650million (or 109%) were achieved in 2014/15. This is summarised in table 4.

**Table 4: Summary of all 2014/15 efficiency proposals**

	<b>Original Budgeted Efficiency in 2014/15</b>	<b>Actual Efficiency</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure Reduction:</b>			
Staff structure changes	149	124	+25
Hitchin Leisure Management Contract	156	163	-7
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
Temporary closure of Museums	55	55	0
New Cleaning Contract/ Revised Royston Town Hall Agreement	50	65	-15
Reduction in grant to Parish Councils for Council Tax Reduction Scheme	11	11	0
Other	6	6	0
<b>Sub-total</b>	<b>1,257</b>	<b>1,254</b>	<b>+3</b>
<b>Income Generation:</b>			
Collection of income for penalty charge notices	100	225	-125
Increase in parking income following review of tariffs	157	171	-14
<b>Grand Total</b>	<b>1,514</b>	<b>1,650</b>	<b>-136</b>

## Key Corporate 'Financial Health' Indicators

- 8.9 There are 5 key corporate 'financial health' indicators identified and listed in table 5 below. These indicators reflect specific aspects of the budget which have a significant impact on the overall Council's net budget and are likely to be influenced by changes in

the external environment. Activity data of these indicators is maintained on the Council's performance system, Covalent.

**Table 5 – Key Corporate 'Health' Indicators**

Indicator	Original Budget £'000	Working Budget £'000	Outturn £'000	Variance to Original Budget £'000
Building Control Fees - RED	-352	-352	-312	+40
Planning Application Fees – GREEN	-431	-612	-677	-246
Land Charges - GREEN	-167	-213	-219	-52
Car Parking Fees - GREEN	-1,466	-1,451	-1,493	-27
Parking Penalty Charge Notices – GREEN	-410	-500	-535	-125

- 8.10 The number of building control fee earning applications are slightly up on the same period last year (785 in 2014/15 compared to 770 in 2013/14) but is less than 2012/13 and prior years, while the number of non-fee earning applications has continued to increase (7,808 in 2014/15 compared to 7,423 in 2013/14). The reduction in income can be attributed to increased competition from the private sector and has been managed within budgets by reducing expenditure.

#### **General Fund Balance as at 31 March 2015**

- 8.11 A summary of the general fund expenditure and income is shown in appendix A. The General Fund balance as at 31 March 2015 is £5.986million. This is £541k higher than projected at 3<sup>rd</sup> quarter 2014/15 and £3.793million higher than the projected balance of £2.193million when the original budget was approved in February 2014. The two main reasons for the difference are that;
- The projected balance as at February 2014 included a contribution of £1.3million to the Special Reserve in 2014/15 in order to have funds available for any specific financial pressures such as pump priming for invest to save and initiatives for shared services, to cover any one-off redundancy costs of restructures, changing working practices, major contract renewals, unexpected contract variations and other financial pressures.
  - Actual general fund net expenditure in 2014/15 was lower than planned, as detailed in the quarterly monitoring reports during the year, while retained business rates income for 14/15 was higher than anticipated.
- 8.12 A total of £252k of identified financial risks were realised during the first three quarters of 2014/15. The original budgeted allowance for identified financial risks for 2014/15 was £1.2million. Five identified financial risks were realised in quarter 4 resulting in additional expenditure of £266k. These were;
- Careline not receiving full reimbursement from HCC for costs incurred in year.
  - Careline's failure to meet projected sales income as regards the Careline Marketing Strategy 2013/14 - 2015/16
  - Legal costs awarded against NHDC in the settlement of a Planning Control appeal.
  - The write-off of parking income following the contractor responsible for cash collection entering administration.
  - A fall in taxi licensing income recorded.

- 8.13 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 2015**

<b>Projected General Fund Balances</b>	<b>£'000</b>
<b>Balance Brought Forward (1/4/2014)</b>	<b>3,933cr</b>
Net Spend (including precepts, excluding contribution from Special Reserve)	15,877dr
Precept Receipts & Government Grants	17,883cr
Contribution to/from Special Reserve	47cr
<b>Balance Carried Forward (31/3/2015)</b>	<b>5,986cr</b>

**Table 7: Minimum General Fund Balance**

	<b>£'000</b>
Original allowance for identified financial risks	1,200cr
Original allowance for unknown financial risks	800cr
<b>Original minimum general fund balance</b>	<b>2,000cr</b>
Identified financial risks realised in quarter 1	26dr
Identified financial risks realised in quarter 2	113dr
Identified financial risks realised in quarter 3	113dr
Identified financial risks realised in quarter 4	266dr
<b>Revised minimum general fund balance</b>	<b>1,435cr</b>
The balance consists of two elements:	
Allowance for identified financial risks	682cr
Allowance for unknown financial risks	753cr
	<b>1,435cr</b>

- 8.14 The Statement of Accounts has yet to be audited, (deadline of 30 September 2015), 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 2015) the accounts are based on un-audited figures.

### **Earmarked Reserves and Provisions**

- 8.15 The Council can set aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. There are stricter statutory rules as to when the Council can create a provision, but it should do so when there is a liability of uncertain timing or amount and it is probable that expenditure will be incurred to settle the obligation. Reserves and Provisions are created by moving funds out of the General Fund balance. When expenditure to be financed by the reserve or provision is incurred the funds are moved back to the General Fund.
- 8.16 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 £1,580k has been contributed to the reserves in 2014/15 and a total of £447k has been used to fund expenditure. This net contribution of £1.133million leaves a total balance in earmarked reserves at 31 March 2015 of £5.132million.

8.17 The increase in earmarked reserve balances is largely due to two significant contributions during 2014/15:

- A net £748k contribution to the DCLG grants reserve. This is the section 31 grant from DCLG to fund the extension to the Small Business Rate Relief Scheme. This will be used to help fund the Council's share of the deficit in the Collection Fund during 2015/16.
- A £387k contribution to the Waste reserve. As reported in previous monitoring reports, this earmarked reserve was set up to help to help mitigate potential future risks in the waste service, for example the potential construction of the Northern Transfer Station. The contribution comes largely from AFM funding received in year.

**Table 8 – Earmarked Reserves 2014/15**

	<b>Balance at 1 April 2014</b>	<b>Contributions</b>	<b>Payments to Fund expenditure</b>	<b>Balance at 31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Building Control Reserve	0	0	0	0
Cemetery Mausoleum	96cr	7cr	0	103cr
Children's Services	7cr	11cr	5dr	13cr
Climate Change Grant	53cr	0	4dr	49cr
Community Development	1cr	0	0	1cr
Community Right to Bid	29cr	17cr	1dr	45cr
DCLG Grants	492cr	788cr	40dr	1,240cr
DWP Additional Grants	27cr	40cr	25dr	42cr
Electoral Services	9cr	0	9dr	0
Environmental Warranty Reserve	209cr	0	0	209cr
Growth Area Fund	53cr	0	0	53cr
Hitchin Museum Donations	0	0	0	0
Homelessness	28cr	0	6dr	22cr
Housing Planning Delivery Reserve	243cr	128cr	112dr	259cr
Information Technology Reserve	293cr	0	141dr	152cr
Insurance Reserve	28cr	10cr	0	38cr
Leisure Management Reserve	49cr	20cr	0	69cr
Local Authority Mortgage Scheme	31cr	25cr	0	56cr
Museum Exhibits Reserve	13cr	0	0	13cr
Neighbourhood Plan Reserve	0	40cr	0	40cr
Office Move IT Works	7cr	0	0	7cr
Paintings Conservation	13cr	4cr	2dr	15cr
Performance Reward Grant Reserve	50cr	0	0	50cr
Personal Search Fees	152cr	36cr	3dr	185cr
Property Maintenance	28cr	30cr	0	58cr
S106 Monitoring	87cr	24cr	16dr	95cr
Special Reserve	1,767cr	0	47dr	1,720cr
Street Furniture	3cr	4cr	4dr	3cr
Street Name Plates	4cr	0	4dr	0
Taxi Licences Reserve	17cr	0	15dr	2cr
Town Centre Maintenance	30cr	9cr	2dr	37cr
Town Wide Review	180cr	0	11dr	169cr
Waste Reserve	0	387cr	0	387cr
<b>Total Revenue Reserves</b>	<b>3,999cr</b>	<b>1,580cr</b>	<b>447dr</b>	<b>5,132cr</b>

8.18 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 in paragraphs 8.19 and onwards below. The level of bad debt provision at 31 March 2014 and 31 March 2015 for all other debtors is shown in table 9 below. A bad debt provision is used when a debt is written off because it cannot be collected. During 2014/15 a total of £18k of sundry debtors were written off, £129k of housing benefit overpayments were written off and £158k of car parking penalty charge notices were either waived following a successful challenge or written off. The increase in the Sundry Debtors bad debt provision to £250k as at 31 March 15 is primarily due to the calculation of the bad debt provision required including 100% of the £130k debt outstanding from CoinCo.

**Table 9: Bad Debt Provisions (non Collection Fund)**

Type of Debt	Outstanding Debt as at 31 March 2014 £'000	Bad Debt Provision as at 31 March 2014 £'000	Outstanding Debt as at 31 March 2015 £'000	Bad Debt Provision as at 31 March 2015 £'000
Sundry Debtors	(1,680)	148	(1,358)	250
Housing Benefit Overpayments	(1,386)	373	(1,851)	481
Car Parking Penalty Charge Notices	(153)	71	(150)	74
<b>Total</b>	<b>(3,219)</b>	<b>592</b>	<b>(3,359)</b>	<b>805</b>

## Collection Fund

8.19 Collection Fund surpluses can be transferred to the general fund in future years to reduce the amount of council tax the Council has to raise to finance its own expenditure. Similarly surpluses on the collection fund attributable to Hertfordshire County Council and Hertfordshire Police Authority can be transferred to their respective general funds in future years to reduce their amount of council tax.

8.20 The activity on the collection fund in 2014/15 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.

8.21 The opening balance on the Collection Fund was a net deficit of £1.8million and there was an overall net deficit of £1.23million on the collection fund in 2014/15. As a result the balance on the Collection Fund at the year end is a net deficit of £3.03million. This balance is made up of a surplus in council tax of £218k and a deficit in business rates of £3.25million. The NHDC share of the overall balance is a deficit of £1.2million. There is a budgeted contribution from the general fund to the collection fund in 2015/16 to make good this deficit. The main reason why business rates have moved further into deficit is as a result of successful appeals and a significant increase in the number of new appeals that the council needs to provide for. This has resulted in an increase in the provision of appeals of £1.04million.

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 has been used to partly offset the levy repayment in 2014/15 of £153k. The Council has received a further £646k in 2014/15 for the following measures which has also been initially transferred to an earmarked reserve to help cover the deficit on the Collection Fund:

- 2% 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

8.22 A total of £36.3million was owed to the Collection Fund from business rate payers in the District for 2014/15 after all deductions and exemptions. Payments from the Collection Fund for business rates were made on the basis of the original estimate for 2014/15, submitted to Government on the NNDR 1 form in January 2014. The Council paid £3.8million (10%) to Hertfordshire County Council and £18.8million (50%) to Central Government as their share of the business rate estimate for 2013/14. £15.0million (40%) was paid to the NHDC general fund as the District share of the estimate for 2014/15. However, the Authority then paid £12.5million from the general fund to Central Government in the form of a tariff, leaving the Authority with £2.5million to help fund general fund activities.

8.23 Regulation allows the Authority to make charges to the Collection Fund for the following items:

- Cost of Collection Allowance – this amount is stipulated by Central Government and is a contribution to the general fund for the cost of administering the business rates collection. This was £181k for 2014/15.
- Write off of uncollectible amounts and increase in bad debt provision – Debt that is deemed uncollectible is written off. The amount written off in 2014/15 was £435k. 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 £639k (the provision at 31<sup>st</sup> March 2014 was £786k).
- Provision for Appeals – Regulation requires that the Authority make provision for appeals (both backdated and in year appeals). At the 31<sup>st</sup> March 2015 there was a total of £34.8million of rateable value subject to appeal. This results in a calculated provision of £2.34million 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 £5.986million (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 2015/16 of £1.673million contains a 5% tolerance on original net expenditure for unknown risks and an allowance of £873K for identified key financial risks which had a total potential risk value of £5.673million.
- 10.3 A group of Property Search Companies who have been seeking to claim refunds of property search fees paid to local Councils for access to land charges data have now agreed upon on a final settlement and it is anticipated that no payment will be made in respect of the Competition Act claim. The Council has been given an indicative figure of the value of the claims which at present amounts to £192,685, additional sums for interest and costs is yet to be confirmed and added. The Council has put aside funds of £185,000 as at 31 March 2015 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 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 2015/16.  
15.3 Appendix C - Collection Fund as at 31 March 2015.

#### **16. CONTACT OFFICERS**

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#### **17 BACKGROUND PAPERS**

- 17.1 Budget Estimate Book 2014/15 & 2015/16: [Budget Book 2014/15](#) [Budget Book 2015/16](#)  
17.2 Statement of Accounts 2013/14: [Statement of Accounts](#)