

CABINET
27 MARCH 2018

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

8

TITLE OF REPORT: THIRD QUARTER REVENUE MONITORING 2017/18

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure forecasts for 2017/18, as at the end of the third quarter (31 December 2017). There is a forecast variance for 2017/18 of **£60k increase** from the working budget of £16.415million, with an impact in the following year of **£30k increase**, and a request to carry forward budget of **£55k** to fund a specific project in 2018/19. Within these summary totals there are several budget areas with more significant variances, which are detailed and explained in table 2. The report also provides an update on;
- the progress with the planned delivery of efficiencies (paragraph 8.3)
 - the use of budget approved to be carried forward from 2016/17 (paragraph 8.4)
 - performance against the four key corporate 'financial health' indicators (paras 8.5-8.7)
 - the overall forecast funding position for the Council and factors that may affect this (paras 8.8 – 8.14)

2. RECOMMENDATIONS

- 2.1 That Cabinet note this report.
- 2.2 That Cabinet approves the changes to the 2017/18 General Fund budget, as identified in table 2 and paragraph 8.2, a £60k increase in net expenditure.
- 2.3 That Cabinet approves the changes to the 2018/19 General Fund budget, as identified in table 2 and paragraph 8.2, a £85k increase in net expenditure.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Members are able to monitor and request appropriate action of Services 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 manage within the existing budget but consider the variances reported here necessary and appropriate.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 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 contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 2nd February 2018.

7. BACKGROUND

- 7.1 Council approved the revenue budget in February 2017 of £16.545 million. As at quarter 3 the working budget has reduced to £16.415 million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original approved budget for 2017/18	16,545
Proposed Crematorium at Wilbury Hills Cemetery - Interim Report On Business Case – approved by Cabinet 28 th March 2017	50
Quarter 3 2016/17 Revenue Monitoring report - 2017/18 budget changes approved by Cabinet (March 2017)	199
2016/17 Revenue Outturn Report - 2017/18 budget changes approved by Cabinet (June 2017)	228
Quarter 1 2017/18 Revenue Monitoring report - 2017/18 variances approved by Cabinet (September 2017)	208
Quarter 2 2017/18 Revenue Monitoring report - 2017/18 variances approved by Cabinet (November 2017)	(131)
Revenue monitoring included within 2018/19 budget report – 2017/18 variances approved by Cabinet (January 2018)	(684)
Current Working Budget	16,415

8. RELEVANT CONSIDERATIONS

REVENUE INCOME AND EXPENDITURE FORECASTS

- 8.1 Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 2 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final column details the estimated impact on the 2018/19 budget:

Table 2 - Summary of forecast variances

Budget Area	Working Budget £k	Forecast £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2018/19 £k
Planning Services - Income	-850	-1,093	-243	£210k of the forecast additional planning application income is associated with the receipt of two large applications for developments in Baldock. In addition, a further £33k is also now anticipated following Government passing legislation to allow authorities to increase planning fees by 20%. The increase in fees came into effect on the 17th January. A condition of the legislation is that the resulting additional income is re-invested in the development of the service, hence it is requested that the additional £33k income is used to fund additional planning resources in 2018/19.	0	33
Planning Services – Transfer to reserve	+122	+328	+206	£4k of the £210k additional planning receipts anticipated above has been earmarked to meet costs connected to the planning software system upgrade. It is requested that the remaining amount is transferred to an earmarked reserve. As discussed at Cabinet in December and indicated in the financial risks for 2018/19, there are significant risks associated with the progress of the Council's Local Plan. The balance in the earmarked reserve will therefore be used to mitigate the financial impact of associated risk(s) materialising in the coming years.	0	0
TOTAL	-728	-765	-37		0	33
Income from NHDC Burial Grounds	-329	-276	+53	Income from the sale of burial plots, interment, monuments and inscriptions in April to December 2017 is 14% lower than the equivalent period in 2016. This could be a consequence of the opening of the Memoria crematorium in Holwell in June 2017. This new provision has made the option of cremation more accessible for North Herts residents, which would contribute to a reduction in requests received for ground burials.	0	0
Parking Services – Lines and Signs Maintenance Works	+67	+12	-55	Progress in commissioning works identified from the lines and signs audit has not been as expected this year due to a lack of staffing resource available, with other staff members within the Strategic Planning Team focused on progressing the Council's Local Plan. It is requested that the forecast underspend be carried forward to fund the cost of the works outstanding in 2018/19.	55	0

Budget Area	Working Budget £k	Forecast £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2018/19 £k
Hitchin Town Hall Income	-204	-146	+58	The delayed opening of the Café and Museum has reduced the income expectation from the facility in this year. The opening of the museum and café was expected to increase the footfall around the facility and so help in raising awareness of what services and activities are available. Lower than expected income from the facility was identified as a financial risk.	0	0
Leisure Services Leisure Centre Repairs and Maintenance	11	54	+43	The majority of the expenditure in this year has been incurred at Archers and Hitchin Swim Centre and has included plant room maintenance as well as repairs to outside paving and fencing. It is proposed that these works are funded from the Leisure Maintenance earmarked reserve, a provision which has been maintained over a number of years in order to meet more significant maintenance costs required at the Council's Leisure Centres.	0	0
Transfer to / from earmarked reserve	0	-43	-43		0	0
TOTAL	11	11	0		0	0
Total of explained variances	-1,183	-1,164	+19		+55	+33
Other minor balances	17,632	19,583	+41		0	-3
Overall Total	16,415	16,475	+60		+55	+30

8.2 Cabinet are asked to approve the differences highlighted in the table above, a **£60k increase** in spend, as an adjustment to the working budget for 2017/18 (recommendation 2.2). Cabinet are asked to approve the estimated impact on the 2018/19 budget, a **£85k increase** in budget (recommendation 2.3), which includes the request to carry forward £55k of budget from 2017/18 to 2018/19 for projects that are not expected to be completed by the end of the financial year

8.3 The original approved budget for 2017/18 (and therefore working budget) included efficiencies totalling £929k, which were agreed by Council in February 2017. Any under or over delivery of efficiencies will be picked up by any budget variances (table 2 above). However there can be off-setting variances which mean that it is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The current forecast is a net overachievement of £206k. This relates to:

- Net overachievement reported at Q1 of £50k
- Net underachievement reported at Q2 of £165k
- Planning income; further overachievement of £379k, of which £137k was highlighted in the month 8 revenue monitor and the remaining £243k highlighted in table 2 above.
- Income generated from Hitchin Town Hall Community Facility; an underachievement of £58k detailed in table 2 above.

8.4 The working budget for 2017/18 includes budgets totalling £642k that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2016/17 but was delayed into 2017/18. At quarter 3 it is currently forecast that a total of £151k of the budget carried forward will not be spent in the current financial year. This relates to;

- Reported at Q1 that one carry forward budget of £20k would not be spent.
- Reported at Q2 that a further £55k of budget carried forward (relating to two earmarked projects) would not be spent.
- Reported in the month 8 revenue monitor that the carry forward budget of £13k to assist with the review of Housing Strategy would not be spent in 2017/18 and was requested to be carried forward into 2018/19.
- Reported in the month 8 revenue monitor that the carry forward budget of £25k to fund the NHDC contribution to a joint project to improve energy efficiency in residents' properties would be partially spent (£12k spend forecast) in 2017/18, with the unspent amount (£13k) requested to be carried forward into 2018/19.
- Reported in the month 8 revenue monitor that a further £18k of the total carry forward budget of £52k to fund the Economic Development Officer position would not be spent in 2017/18 and was requested to be carried forward into 2018/19.
- Legal Services Contract scanning; £6k of the carry forward budget of £20k was required to complete this project (the £14k underspend variance was included within the 'other minor variances' total in the month 8 revenue monitor).
- Parking lines and signs maintenance; £12k of the carry forward budget of £42k will be spent in 2017/18 (as detailed and explained in table 2 above).
- Waste services; only £6k of the £11k carry forward budget to fund the cost of temporary additional staffing resource will be spent in 2017/18 as the post holder has taken up a new position and will not be replaced. The remainder is within the 'other minor balances' total in table 2 above.

All other carry forward budgets are expected to be spent in 2017/18.

8.5 The revenue monitor at month 8 included a request to carry-forward £60k of area committee budget in to 2018/19. Cabinet asked for more information on this to be provided in this quarter 3 monitor. Table 3 shows that even if all the March bids were approved, there would still be £40k unallocated. Cabinet could decide that this amount should not be carried forward, and that only amounts that have been allocated but not yet paid can be carried forward. The amount carried forward in to 2017/18 (from 2016/17) was £49.5k.

Table 3- Area Committee Grant forecasts

Area Committee	Total 2017/18 budget (after 2016/17 carry-forward) £k	Grants paid as at February £k	Grants awarded but not paid £k	Bids received for March meeting £k	Amount still unallocated if all March bids approved £k
Letchworth	26.4	4.9	1.2	3.0	17.3
Hitchin	42.4	20.1	3.4	7.8	11.1
Royston	10.7	6.7	1.5	2.5	0
Southern Rural	22.3	8	3.7	5.8	4.8
Baldock	21.7	4.3	6.6	4.0	6.8
Total	123.5	44.0	16.4	23.1	40.0

- 8.6 There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 3 below shows the income to date and forecasts for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber or green. A green indicator means that they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income. Currently two indicators are green and two indicators are red.
- 8.7 The red indicator in relation to car parking fees was highlighted within the revenue monitoring report at quarter 2 and relates to the additional parking fee income anticipated from the Parking Strategy review that will not be achieved.
- 8.8 At quarter 3 the status of the land charges indicator is red. The number of searches requested to be undertaken by the authority has reduced in comparison to the prior financial year. At Quarter 3 2016/17 the number of searches requested totalled 1,384, while search numbers for the equivalent period in 2017/18 total 1,267. This is attributed to a change in housing market activity, which drives demand for personal searches. The forecast income variance of £15k is included within the 'other minor variances' total in table 2 above.

Table 4- Corporate financial health indicators

Indicator	Status	Original Budget £k	Actual income to date £k	Forecast income for the year £k	Projected Variance £k
Planning Application Fees (including fees for pre-application advice)	Green	(683)	(829)	(1,168)	(485)
Land Charges	Red	(174)	(118)	(159)	15
Car Parking Fees	Red	(1,813)	(1,320)	(1,745)	68
Parking Penalty Charge Notices	Green	(410)	(407)	(585)	(175)

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.9 The Council's revenue budget is funded from the following main sources; Council Tax, New Homes Bonus, Retained Business Rates and Revenue Support Grant. The Council was notified by Central Government in February 2017 of the respective amounts of New Homes Bonus and Revenue Support Grant funding it can expect to receive in 2017/18 and has planned accordingly.
- 8.10 Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of others (e.g. County Council). Each organisation has a share of the balance on the Collection Fund account. Current forecasts for 2017/18 are that there will be a surplus on our share of Council Tax of approximately £270k and a deficit on Business Rates of around £650k.
- 8.11 The Council also receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes in to our funds rather than the Collection Fund. We are holding this amount in a reserve. Use of the amount held in reserve, currently projected to be £932k at the end of the year, will mitigate the impact on the General Fund balance in 2018/19 of the contribution to the Collection Fund to cover the Business Rates deficit recorded for 2017/18.

- 8.12 The Council is also subject to a business rates levy from Central Government as it is expected that NHDC will collect more in business rates than the baseline need determined by Central Government. The estimated levy required is currently forecast to be £378k. The payment of the levy will be funded from the grant held in reserve.
- 8.13 The estimate of retained business rates income for 2017/18 has increased by £16k at Q3. This revision follows notification from the Ministry of Housing, Communities and Local Government (MHCLG) of a revised 2017/18 tariff value, which is based on the revaluation data as at 1 April 2017. The original tariff value was calculated on draft revaluation data as at September 2016. On receipt of the final revaluation data from the Valuation Office Agency the MHCLG has adjusted the top up and tariff amounts for local authorities to reflect what the value should have been had the 1 April 2017 information been available at the time of originally calculating the 2017/18 top up and tariff figures.
- 8.14 Table 4 below summarises the impact on the projected general fund balance from the changes at quarter 3 detailed in this report.

Table 5 – Forecast General Fund impact

	Working Budget £k	Q3 Projected Outturn £k	Difference £k
Brought Forward balance (1st April 2017)	(8,235)	(8,235)	-
Projected Net Spend	16,415	16,475	60
Funding (Council Tax, Business Rates, RSG)	(15,573)	(15,589)	(16)
Contribution to Collection Fund	741	741	0
Funding from Reserves (including Business Rate Relief Grant)	(373)	(373)	0
Carried Forward balance (31st March 2018)	(7,025)	(6,981)	44

- 8.15 The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types, so when they occur they are reflected as budget variances (see table 2). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £795k, and by the end of quarter three a total of £385k have come to fruition. The three identified risks realised in the third quarter relate to;
- Cost of specialist external legal advice in relation to an appeal made against a Council Planning Committee decision (included within 'other minor balances' in table 7 of the 2018/19 budget report). £15k
 - Further delay to the opening of the North Herts Museum and Cafe hindering the achievement of the operating surplus anticipated from the Community facility, as detailed in table 2. £58k
 - The cost of specialist advice in relation to a gypsy and traveller planning appeal case (included within 'other minor balances' in table 2). £10k

Table 6 – Known financial risks

	£'000
Original allowance for known financial risks	795
Known financial risks realised in Quarter 1	(144)
Known financial risks realised in Quarter 2	(158)
Known financial risks realised in Quarter 3	(83)
Remaining allowance for known financial risks	410

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. Specifically 5.6.8 of Cabinet's terms of reference state that it has remit "*To monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*". 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.

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 the risk of an unplanned overspend of the overall Council budget.

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their 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.
- 12.2 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 The Social Value Act and "go local" policy do not apply to this report.

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 None.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 Budget Estimate Book 2017/18.

17.2 Statement of Accounts 2016/17.