

**CABINET  
17 DECEMBER 2019**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: SECOND QUARTER REVENUE MONITORING 2019/20**

**REPORT OF THE SERVICE DIRECTOR - RESOURCES**

**EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT**

**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 financial year 2019/20, as at the end of the second quarter. The forecast variance is a £360k decrease on the net working budget of £15.630million for 2019/20, with an ongoing impact in future years of a £46k increase and requests to carry forward budget totalling £142k to fund specific projects in 2020/21. Within these summary totals there are several budget areas with more significant variances, which are detailed and explained in table 3. The report also provides an update on;
- the progress with the delivery of planned efficiencies (paragraph 8.3)
  - the use of budget approved to be carried forward from 2018/19 (paragraph 8.5)
  - performance against the four key corporate 'financial health' indicators (paras 8.6-8.8)
  - the overall forecast funding position for the Council and factors that may affect this (paras 8.9 - 8.14)

**2. RECOMMENDATIONS**

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2019/20 General Fund budget, as identified in table 3 and paragraph 8.2, a £360k decrease in net expenditure.
- 2.3. That Cabinet notes the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a £188k increase in net expenditure. These will be incorporated in the draft revenue budget for 2020/21.
- 2.4. That Cabinet approves the write-off of the debtor invoice of £130,566.75 raised to CoinCo International PLC in January 2015, as explained in paragraph 8.3.

### 3. REASONS FOR RECOMMENDATIONS

- 3.1. Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.

### 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 report 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. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 6<sup>th</sup> September 2019.

### 7. BACKGROUND

- 7.1. Council approved the revenue budget for 2019/20 of £15.251million in February 2019. As at quarter 2 the working budget has increased to £15.630million. Table 1 below details the approved changes to this budget to get to the current working budget:

**Table 1 - Current Working Budget**

	<b>£k</b>
Original approved budget for 2019/20	15,251
Quarter 3 2018/19 Revenue Monitoring report – 2019/20 budget changes approved by Cabinet (March 2019)	25
2018/19 Revenue Outturn Report – 2019/20 budget changes approved by Cabinet (June 2019)	521
Quarter 1 2019/20 Revenue Monitoring report - 2019/20 variances approved by Cabinet (July 2019)	(239)
Playgrounds report - delaying the removal of play equipment from two playgrounds in Royston until the 31st March 2020 – additional expenditure approved by Cabinet (July 2019)	4
Waste Collection from Multi Occupancy Properties report – retention of weekly residual waste collection service – variation to contract approved by Cabinet (July 2019)	68
<b>Current Working Budget</b>	<b>15,630</b>

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate in 2019/20 and how this has changed from the allocations published in the quarter one monitoring report.

**Table 2 – Service Directorate Budget Allocations**

	<b>Working Budget at Q1</b>	<b>Changes approved at Q1</b>	<b>Cabinet reports July 2019</b>	<b>Other Budget Transfers</b>	<b>Current Net Direct Working Budget</b>
<b>Service Directorate</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Chief Executive	1,819	(74)	0	139	1,884
Commercialisation	(513)	(111)	0	17	(607)
Customers	3,565	(52)	0	15	3,528
Legal & Community	2,315	(20)	0	9	2,304
Place	4,811	(7)	72	(100)	4,776
Regulatory Services	1,212	38	0	(20)	1,230
Resources	2,588	(13)	0	(60)	2,515
<b>TOTAL</b>	<b>15,797</b>	<b>(239)</b>	<b>72</b>	<b>0</b>	<b>15,630</b>

## 8. RELEVANT CONSIDERATIONS

- 8.1. Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 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 if there is expected to be an impact on next year's (2020/21) budget:

**Table 3 - Summary of significant variances**

<b>Budget Area</b>	<b>Working Budget £k</b>	<b>Forecast Outturn £k</b>	<b>Variance £k</b>	<b>Reason for difference</b>	<b>Carry Forward Request £k</b>	<b>Estimated Impact on 2020/21 £k</b>
Corporate Apprenticeship Scheme	175	97	(78)	Forecast underspend reflects the timing in year of appointments to apprenticeship posts. There is permanent budget provision for 8 Apprentices of which 5 posts are currently filled. The remaining three vacant posts will be appointed to shortly. There have also been requests for several more apprentices to be recruited on 18 month contracts, the costs of these can be funded in this year and still result in the forecast variance. The carry forward requested will allow the costs in 2020/21 to be funded, and still allow the usual 8 posts to be recruited to as apprenticeships end.	78	0
Place Directorate Staff Costs – Greenspace Services	323	267	(56)	Underspend variance results from the implementation of a new staffing structure, approved by the Council's Leadership Team, designed to meet the changing demands placed upon the service.	0	(58)

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Regulatory Directorate Staff Costs – Planning Services	1,978	1,903	(75)	Forecast underspend in this year is due to a combination of the lack of progress with the Local Plan and difficulties in recruiting staff to vacant posts.	0	0
Resources Directorate Staff Costs – Accountancy Services	282	251	(31)	Forecast underspend is due to staff absence during this year. Rather than recruiting temporary staffing resource externally, the reduction in capacity has been absorbed through a combination of a reorganisation of duties and internal secondment within the Directorate, and the use of flexi-time arrangements to manage peaks and troughs in workloads.	0	0
Payroll Contract expenditure	0	36	+36	One-off project implementation costs of £31k are anticipated following the tender of the payroll service contract, which has been awarded to Liberata for a period of 5 years from April 2020. In addition, costs of around £5k are expected to be charged by the current payroll provider for the requisite transfer of data.	0	0
District Elections expenditure	91	113	+22	The £22k overspend variance for this year's District Elections follows the overspend variance of £35k for the administration of the 2018 District Elections highlighted to Cabinet at Quarter One last year, where a similar number of Council seats were contested. The increase in the number of postal votes has resulted in higher postage costs, while the cost of polling station hire has also increased significantly over the last two years. It is therefore proposed to increase the earmarked budget allocation in future years where elections are scheduled by £25k.	0	25
Hybrid Mail project implementation	305	270	(35)	Phase 2 of the Outbound Mail contract is fully operational with all Revenues & Benefits systems generated post being handled by the service. Phase 3 of the contract, covering other Service areas, will be live by March 2020. The cost of the contract has been met from both the corresponding saving in franked postage costs and the savings from the partial closure of the Document Centre, which this project facilitated. The ongoing impact of the outbound mail contract will be included in the Corporate Business Planning proposals for 2020/21.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Waste, Recycling and Street Cleansing Contract Expenditure	4,736	4,541	(195)	The contract includes unit prices where there will be variability in the need for those services (e.g. collection and delivery of bins, bulky waste collection, additional street cleansing). Due to the savings achieved through the core contract, this variation budget was set at a prudent level of around £750k. The anticipated volume of work outside of the core contract has however not materialised through the first eighteen months of the contract. It is therefore proposed to reduce the annual budget for these services ongoing. The amount in 2019/20 includes additional one-off costs such as the initial extension of the weekly residual waste collection from flats and an upgrade to the waste management software.	0	(277)
Weekly food collections from flats - government grant income	(84)	(33)	+51	The original government grant of £853k was issued in 2013/14 on the condition that the Council would provide a weekly food collection service for a minimum of five years, in accordance with the Council's grant application. The grant has since been released to the General Fund over the period to fund the additional revenue costs of delivering this service. The application of £33k in 2019/20 represents the final amount of grant remaining.	0	84
AFM Income from Hertfordshire County Council	(395)	(572)	(177)	Forecast outturn is the actual receipt received from Herts County Council in 2019/20 for recycling performance in 2018/19. The £572k total is £150k more than that received for the year prior and reflects the relative performance of the Council in reducing tonnages going to landfill. A proposal to adjust the ongoing AFM income expectation in the budget estimates will be presented within the budget setting process for 2020/21.	0	0
Income from paper collected for recycling	(454)	(370)	+84	Forecast income shortfall is based on tonnages collected in the first half of the year and is indicative of the trend of declining volumes of paper presented for recycling apparent in recent years. An increase in the net cost of recycling due to a reduction in the volume of recyclates collected was identified as a financial risk when the budget for 2019/20 was approved in February.	0	84

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Commercial Waste and Recycling services income	(1,093)	(1,056)	+37	Fewer customers for trade residual waste collection in 19/20 than the prior year has reduced the income expectation by £50k. This shortfall has however been partially offset by growth in demand for commercial recycling collections.	0	37
Splash park maintenance expenditure	78	108	+30	Multiple break downs across all 4 splash parks during the operational summer period, including a fire in the plant room at Howard Gardens, required unforeseen emergency maintenance and repairs to ensure they were operational over the summer period.	0	0
Parking Lines and Signs maintenance	89	25	(64)	Contractors have been appointed and works to parking lines in Royston have been completed. Parking lines in Baldock, Letchworth, Hitchin and Knebworth will be completed in this financial year. The signs for the off street car parks will be replaced next year in line with the review of the off street traffic regulation order which is in action from the adopted parking strategy. A carry forward of the unspent budget is therefore requested to fund these works.	64	0
Car Park season ticket income	(278)	(305)	(27)	Increase in income expectation reflects the current level of car park season ticket sales, which is similar to last year.	0	(27)
Income from Penalty Charge Notices	(352)	(393)	(41)	There is currently a full team of Civil Enforcement Officers, which has led to a greater number of traffic offences being identified and penalty notices issued.	0	(41)
Hitchin Town Hall Community Facility expenditure	288	212	(76)	Reduction in forecast expenditure is primarily linked to the café not opening until the start of Q2, hence reducing the associated staffing and supplies costs in quarter one. Revised forecast outturn also includes adjustments to supplies and services budgets based on the planned programme of events at the facility this year and the current level of bookings.	0	0
Income from Hitchin Town Hall Community Facility	(389)	(168)	+221	Revised income forecast is based on experience to date since the facility opened in 2017. Now that the museum is fully open, it is anticipated that income generated from the facility will increase	0	192

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
				in future years, however it is not expected to meet the current budget in the medium-term.		
<b>Total of explained variances</b>	<b>5,012</b>	<b>4,714</b>	<b>(298)</b>		<b>142</b>	<b>19</b>
Other minor balances	10,618	10,632	+14		0	27
<b>Overall Total</b>	<b>15,630</b>	<b>15,346</b>	<b>(284)</b>		<b>142</b>	<b>46</b>

- 8.2. Cabinet are asked approve the differences highlighted in the table above (a £360k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to note the estimated impact on the 2020/21 budget (£188k decrease in budget which includes the request to carry forward £142k of budget from 2019/20 to 2020/21), which will be incorporated into the 2020/21 budget setting process (recommendation 2.3).
- 8.3. At the end of November 2014 CoinCo International Plc (CCI), who provided the cash collection service for the Council's parking ticket machines across the district, entered into administration while owing NHDC £130k. This amount represented approximately four weeks takings from the Council's car parks. CCI had been providing cash collection services to a number of charities and local authorities, with the Government Insolvency Service identifying a total sum outstanding to all cash in transit clients of at least £6.155 million. NHDC was one of four clients where the contract specifically stated that the funds collected were not the property of CCI and must be transferred within a specified number of days. CCI would then invoice for the agreed service charge. The four clients were owed a total of £5.758 million when CCI collapsed, with the largest amount due to Brighton and Hove City Council, who were owed £3.243million. As highlighted in the Revenue Outturn report 2014/15, a debtor invoice was raised for the outstanding amount of £130k but it was decided to provide for the entire amount in the bad debt provision, as the likelihood of the Council receiving payment was considered very low. The Council's financial regulations specifies that debts can be written off where they have been raised correctly, have not been paid and it is determined that there is no prospect of collecting the amount owed. In accordance with the regulations, as this debt is more than £10k, cabinet is now asked to approve the write-off of the debtor invoice (recommendation 2.4). As the contribution from the General Fund to the bad debt provision to cover the full debt amount was made in 2014/15, the write off of this debt will not have an impact on the General Fund in 2019/20.
- 8.4. The original approved budget for 2019/20 (and therefore working budget) included efficiencies totalling £610k, which were agreed by Council in February 2019. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However there can be off-setting variances which mean that is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The current forecast at quarter two is that all the efficiencies approved in February will be delivered.

- 8.5. The working budget for 2019/20 includes budgets totalling £689k 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 2018/19 but was delayed into 2019/20. At quarter three, it is forecast that a total of £74k of the budget carried forward will not be spent in the current financial year. This relates to:
- Parking lines and signs maintenance. The £64k budget carried forward will not be spent in this year, as highlighted and explained in table 3 above. The unspent budget is requested to be carried forward again into 2020/21.
  - Herts Warmer Homes Project. £10k of the £13k budget carried forward will not be spent this year. This is included in the other minor variances total in table 3. Council officers are working directly with providers to deliver the desired outcomes from the scheme. The costs of energy efficiency improvement installations will be met primarily from grant funding secured, with the balance funded from the Private Sector Grants project allocation, hence the carry forward budget is no longer required.
- 8.6. There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 4 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 of the indicators are green and two are amber.
- 8.7. The amber status for Land Charges income was reported at quarter one and is based on the actual income to date. Whilst the income budget may still be achieved from an increase in activity over the remainder of the year, there is a risk that the budgeted level of income may not be met.
- 8.8. The actual income to date for planning application fees is increased by the reversal in the current year of the £335k accounting adjustment posted at the end of 2018/19. Income receipts received in the first half of the year in respect of planning applications totalled £444k, which is slightly below the budget expectation. The amber status at quarter two therefore indicates the risk that the budgeted level of income may not be met. As in 2018/19, an accounting adjustment will be posted at the end of 2019/20 to ensure that the reported income total reflects only the income received from planning applications resolved in this financial year, in accordance with accounting policy. The accounting adjustment does not affect the cash the Council receives.

**Table 4 - Corporate financial health indicators**

Indicator	Status	Original Budget £k	Actual income to date £k	Forecast income for the year	Projected Variance £k
Planning Application Fees (including fees for pre-application advice)	Amber	(950)	(779)	(950)	0
Land Charges	Amber	(164)	(70)	(164)	0
Car Parking Fees	Green	(1,809)	(940)	(1,897)	(88)
Parking Penalty Charge Notices	Green	(532)	(365)	(595)	(63)



## 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 and Retained Business Rates income. The Council was notified by Central Government in February 2019 of the amount of New Homes Bonus it could expect to receive in 2019/20 and 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 other bodies. Each organisation has a share of the balance on the Collection Fund account. At the end of the second quarter, it is forecast that there will be a small deficit on the Council Tax Collection Fund. With regards to Business Rates, while income collected in year is in line with original estimates, an overall deficit position is projected due to the adjustment for the final prior year outturn, as detailed and explained in the quarter one revenue monitoring report.
- 8.11. The actual gain from Hertfordshire being a Business Rate pilot in 2019/20 will be dependent on the overall Business Rates collected across Hertfordshire, as well as within North Hertfordshire. Monitoring of the expected gain is being coordinated by Hertfordshire County Council. These forecasts will be a guide only as Business Rate income can be subject to significant fluctuations, particularly across 10 billing authorities. Therefore the final position will not be known until after the end of the current year and hence after the 2020/21 budget has been set.
- 8.12. 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. In 2018/19 NHDC received grant totalling £1.435m and the current expectation for 2019/20 is £1.922m. We are holding the grant received in a reserve to fund the repayment of deficits recorded in future years. Some of the amount held in reserve will therefore be used in this year to fund the required contribution to the Collection Fund of £58k in respect of the position for 2018/19, as shown in table 5 below.
- 8.13. Table 5 below summarises the impact on the general fund balance of the position at quarter two detailed in this report.

**Table 5 – General Fund impact**

	<b>Working Budget £k</b>	<b>Q2 Projected Outturn £k</b>	<b>Difference £k</b>
<b>Brought Forward balance (1<sup>st</sup> April 2019)</b>	<b>(7,862)</b>	<b>(7,862)</b>	<b>-</b>
Net Expenditure	15,630	15,270	(360)
Funding (Council Tax, Business Rates, NHB)	(15,319)	(15,319)	0
Contribution to Funding Equalisation Reserve	68	68	0
Contribution to Collection Fund	58	58	0
Funding from Reserves (including Business Rate Relief Grant)	(58)	(58)	0
<b>Carried Forward balance (31<sup>st</sup> March 2020)</b>	<b>(7,483)</b>	<b>(7,843)</b>	<b>(360)</b>

8.14. 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 3). 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 £1,203k, and by the end of quarter two a total of £101k has come to fruition. The identified risk realised in the second quarter relates to;

- Recycling services. Increase in net cost due to reduction in volume of paper recyclates collected, as highlighted in table 3. £84k

**Table 6 – Known financial risks**

	£'000
<b>Original allowance for known financial risks</b>	<b>1,203</b>
Known financial risks realised in Quarter 1	(17)
Known financial risks realised in Quarter 2	(84)
<b>Remaining allowance for known financial risks</b>	<b>1,102</b>

## **9. LEGAL IMPLICATIONS**

9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. 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 unplanned overspending 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. None.