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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

WEDNESDAY, 21ST JUNE, 2023

SUPPLEMENTARY AGENDA

Please find attached supplementary papers relating to the above meeting, as follows:

Agenda No	Item
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8.	<u>REVENUE BUDGET OUTTURN 2022/23</u> (Pages 3 - 20)
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REPORT OF THE SERVICE DIRECTOR - RESOURCES

To consider the Revenue Budget Outturn 2022/23.

Addendum report and appendix.

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CABINET
27 June 2023

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: REVENUE BUDGET OUTTURN 2022/23

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure as at the end of the financial year 2022/23. The net outturn of £15.818million represents a £920k decrease from the net working budget of £16.738 million. The significant variances are detailed and explained in table 4. There are corresponding requests to carry forward £184k of unspent budget to fund specific projects that will now take place in 2023/24. There is a further forecast impact on the 2023/24 base budget of a £231k decrease.

2. RECOMMENDATIONS

2.1. That Cabinet note this report.

2.2. That Cabinet approves a decrease of £920k in the 2022/23 net General Fund expenditure, as identified in table 4 and paragraph 8.1, to a total of £15.818million.

2.3. That Cabinet approves the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.3, a total £47k decrease in net expenditure.

That Cabinet recommends to Council

2.4. That Council approves the net transfer from earmarked reserves, as identified in table 9, of £5.274million.

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.

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 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 21st of April 2023.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2022/23 of £18.198million in February 2022. At the end of the financial year, the working budget has decreased to £16.738million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original Revenue Budget for 2022/23 approved by Full Council	18,198
Quarter 3 2021/22 Revenue Budget Monitoring report – 2022/23 budget changes approved by Cabinet (March 2022)	238
2021/22 Revenue Budget Outturn Report – 2022/23 budget changes approved by Cabinet (June 2022)	179
Quarter 1 2022/23 Revenue Monitoring report - 2022/23 variances approved by Cabinet (September 2022)	(559)
Quarter 2 2022/23 Revenue Monitoring report - 2022/23 variances approved by Cabinet (December 2022)	(270)
2023/24 Revenue Budget report – leisure investment bids brought forward to spend in 2022/23 approved by Council (February 2023)	42
Quarter 3 2022/23 Revenue Monitoring report - 2022/23 variances approved by Cabinet (March 2023)	(1,090)
Current Working Budget	16,738

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed from the original net direct budget allocations for 2022/23.

Table 2 – 2022/23 Service Directorate Budget Allocations

	Managing Director	Customers	Enterprise	Legal & Community	Place	Regulatory Services	Resources	Total
	£k	£k	£k	£k	£k	£k	£k	£k
Original Budget	3,422	3,866	(148)	2,281	4,720	1,407	2,650	18,198
Q3 2021/22	104	10	(4)	50	(15)	43	50	238
Outturn 2021/22	135	52	0	(9)	(51)	52	0	179
Q1 2022/23	(2,201)	371	(113)	61	770	535	18	(559)
Q2 2022/23	(386)	(69)	27	51	(217)	302	22	(270)
Budget 2023/24	0	0	0	0	42	0	0	42
Q3 2022/23	(449)	(37)	(132)	(41)	293	(667)	(57)	(1,090)
Other Changes	(268)	152	131	108	96	(80)	(139)	0
Current Budget	357	4,345	(239)	5,638	1,592	2,544	16,738	

8. RELEVANT CONSIDERATIONS

- 8.1. Cabinet are asked to approve the net expenditure on the General Fund in 2022/23 of £15.818 million (recommendation 2.2). This is a net decrease of £920k on the working budget of £16.738million. Table 3 below confirms the net expenditure for each Service Directorate and the variance with the current working budget. The major changes reported during the year are recorded at Appendix A.

Table 3 - 2022/23 Revenue Outturn by Service Directorate

Directorate	Net Direct Working Budget	Net Direct Outturn*	(Under) / Overspend
Managing Director	357	250	(107)
Customers Directorate	4,345	3,806	(539)
Enterprise Directorate	(239)	(298)	(59)
Legal & Community Directorate	2,501	2,395	(106)
Place Directorate	5,638	5,604	(34)
Regulatory Services Directorate	1,592	1,576	(16)
Resources Directorate	2,544	2,485	(59)
TOTAL	16,738	15,818	(920)

* Directorate outturn totals exclude year-end finance lease accounting entries. These entries have a net zero impact on the Council's General Fund, but their inclusion would distort the Directorate performance indicated in the table.

- 8.2. Table 4 below highlights and explains the most significant variances, which are generally more than £25k. The final columns detail if there is expected to be an impact on next year's (2023/24) budget.

Table 4 - Summary of significant variances at Outturn

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Managing Director External Audit Fees	75	101	+26	Overspend variance is indicative of both estimated additional fees for the 2021/22 final accounts audit, which is not yet complete, and increases in the fees incurred in respect of the Housing Benefit claim certification. The estimated ongoing impact reflects the £9k increase to the base audit scale fee, as confirmed by the PSAA, and an increase in the unit price for testing undertaken in respect of the Housing Benefit certification.	0	13
Government Grant Income	0	(22)	(22)	Redmond Review Local Audit fees grant of £21.5k was received to support the increase in 2022/23 audit fees associated with the implementation of the Redmond Review recommendations.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Managing Director Strategic Priorities Fund	83	0	(83)	This fund was created to enable short-term investments in Council priorities, including testing out new ideas and where there is an invest-to-save opportunity. There are amounts committed in future years to cover community engagement software, improving automation of waste charging and implementing a Social Value Portal.	83	0
Managing Director Interest Income	(1,277)	(1,310)	(33)	Investment interest rates have continued to rise, with the Bank of England base rate increasing from 3.5% to 4% and then again to 4.25% during the quarter. The average interest rate return on all outstanding investments at the end of Q4 therefore rose to 4.19%, compared to 3.21% at the end of Q3. There is no ongoing impact as increases in interest rates to around this level were already factored in to the calculation of the interest income anticipated in 2023/24 in the budget estimates presented to Council for approval in February.	0	0
Customers IT Support and Maintenance	192	139	(53)	The underspend relates to the £53k investment budget for the scanning of Planning micro-fiche records included in the budget total. This investment budget was not required as the work, completed in March, has instead been fully funded from Covid Outbreak Management Fund (COMF) grant money. This reflects that the records can now be accessed electronically and without the close support required to use the micro-fiche machine.	0	0
Customers Careline Installation and Maintenance Costs	287	116	(171)	The non-complex needs installation and maintenance service was brought in-house part way through the year, which has resulted in a saving compared to the previously outsourced contract. The estimated ongoing saving was presented as an efficiency proposal in compiling the revenue budget for 2023/24.	0	0
Customers New Burdens Grant from Government	(65)	(207)	(142)	Additional New Burdens grants have been received from DLUHC this year for the administrative burden of delivering both the Council Tax rebate scheme and Covid-19 business grant schemes respectively. These were delivered within existing resource and hence the grant amounts received have not been required to meet additional costs. It is requested that the unspent grant is transferred to reserve to finance developments within the Revenues and Benefits service in the coming years, which will improve operational efficiency and enhance the customer experience.	0	0
Transfer to Earmarked Reserve	13	155	+142		0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Customers Council Tax & NNDR Summons Income	(178)	(260)	(82)	This is due to an increase in the number of summons issued compared to the previous year, with a total of 4,421 in 2022/23 compared to 2,874 summons issued in 2021/22. The increase is mainly due to a return to business-as-usual after the pandemic.	0	0
Customers Covid Grant Income	0	(39)	(39)	The Department for Business, Energy and Industrial Strategy (BEIS) carried out a supplementary reconciliation process back in June 22 and have provided another payment to North Herts to reimburse grant payments made to businesses. As these were payments that had originally been paid incorrectly by the Council, due to either businesses providing the wrong bank details or input error, it had been assumed that these payments would not be reimbursed by BEIS and as such the payments were charged as a cost to the General Fund in 2021/22.	0	0
Customers Net housing benefit payments	305	336	+31	Increase in net cost compared to the working budget estimate is primarily due to a reassessment of certain central benefits by the DWP during the year. This resulted in the backdated removal of housing benefit subsidy reimbursement for housing benefit payments made under the local war disablement / war widows' scheme.	0	0
Customers Housing Benefit Overpayments Income	(325)	(277)	+48	Reduction in overpayments raised in year is attributed to a combination of both; the fall in the total amount of housing benefits paid, reducing by more than 25% over the last two years as working age claimants migrate to the Universal Credit scheme administered by the DWP; and ongoing improvements to systems and processes, with updated records downloaded directly from DWP every day helping to minimise overpayment values.	0	50
Contribution to overpayments income bad debt provision	300	28	(272)	The Council must make provision to recognise that not all the overpayments identified will ultimately be clawed back. Relatively lower levels of overpayments raised in recent years, combined with a higher proportion of overpayments debt successfully collected, have contributed to reducing the overall amount of overpayments debt outstanding from £1.2m to £885k over the past 12 months. This has reduced the level of provision required at the end of the year and hence reduced the contribution needed from the General Fund.	0	(250)

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Enterprise Net Income from Churchgate Shopping Centre	(143)	(281)	(138)	This is the additional net income receivable following the Council's acquisition of the head leasehold interest last summer. This is in addition to the rental income that we previously received from owning the freehold. As set out in the Revenue Budget report 2023/24, the surplus income is requested to be set aside in a reserve to support the planning and delivery of the Churchgate regeneration project.	0	0
Transfer to Earmarked Reserve	0	138	+138		0	0
Enterprise Burymead Storage Survey	30	0	(30)	This investment budget is for the temporary storage costs associated with the building of a new museum storage facility. A developer has not yet been appointed as options are still being reviewed. It is therefore requested that the budget is carried forward to fund the activity in next year.	30	0
Legal & Community Area Committees	51	39	(12)	The carry forward of £12.3k of unspent Area Committee budgets is requested. This total is comprised of £5.1k for Hitchin, £4.1k for Baldock, £2.2k for Southern Rural, £0.8k for Royston and £0.1k for Letchworth. The Hitchin carry forward balance includes £1.4k for grants that were awarded at the March meeting but could not be paid before the year end.	12	0
Legal & Community District ward boundary proposals Consultant Costs	31	21	(10)	The Council's response to the Local Government Boundary Commission for England second consultation on draft proposals for the district ward boundaries has been submitted. The response from the Boundary Commission has however been delayed as they are seeking legal advice and, depending on the outcome, there is a possibility that a third consultation by the Commission may be conducted on all or part of the proposals. The services of the consultant will be required if a third consultation is undertaken and therefore a carry forward of £10k is requested to fund this work.	10	0
Place Leisure Management Contract Fee Income	(671)	(578)	+93	Overall usage of the facilities had generally recovered to pre-pandemic levels by the end of the year. As we have been operating on an open-book basis we also need to fund any reasonably incurred increases in costs. High inflation has had a particular impact on staff pay, utilities and chemical costs.	0	0
Place Garden Waste Service Income	(1,223)	(1,251)	(28)	The overachievement of income corresponds to the growing number of subscribers, as highlighted in the quarterly monitoring of the corporate financial health indicators throughout the year.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Place Shared Waste Client Team – Contribution from East Herts	(245)	(265)	(20)	Half of the cost of the Shared Client Team is invoiced to East Herts Council. The variance this year is due to the higher than anticipated staff pay award for 2022/23. The impact on the additional costs incurred has already been reflected in budget forecasts.	0	(19)
Place AFM (Alternative Financial Model) Funded Expenditure	92	56	(36)	This budget was earmarked to cover the costs of consultant work on the procurement of the new waste contract. In the event however some of these costs have been funded from underspends elsewhere in the service budget. It is requested that the unspent budget is carried forward to finance additional costs anticipated in the next financial year related to the new contract.	33	0
Place Emptying Dog Bins in Green Spaces	15	0	(15)	The cost of emptying dog bins in parks and green spaces is now completely funded by contributions from the respective Parish Councils.	0	(15)
Place Green Space Maintenance Grants and Contributions Income	(20)	(80)	(60)	The overachievement of income relates to funding amounts received in prior years for specific projects and activities. As these projects have been completed and the funding conditions have been met, the income received has been charged to the General Fund.	0	0
Regulatory Town Wide Review	24	12	(12)	Request to carry forward the unspent budget to complete the Traffic Regulation Order Process following formal consultation on parking restriction options as part of the Royston Town wide review. This includes the publication of the orders and implementation of the restrictions on street.	12	0
Regulatory Air Quality New Burdens Grant from government	0	(12)	(12)	Grant was received from DEFRA at the end of March 2023 for managing and enforcing the enhanced Smoke Control Areas regulation. Work on this will happen in 2023/24, so it is requested to transfer the grant into an earmarked reserve to draw down in 2023/24.	0	0
Transfer to earmarked reserve	0	12	+12		0	0
Regulatory Ukrainian Housing Checks Grant Income	0	(72)	(72)	Grant was received from Herts County Council to contribute towards the costs of carrying out housing checks for Ukrainian refugees living with host families in the District. These checks were undertaken by the Environmental Health team without requiring additional budget. It is requested that the unspent grant money is transferred to an earmarked reserve to help manage staffing and workload pressures identified in next year, with back-dated work outstanding due to the impact of Covid or the Covid recovery requirements.	0	0
Transfer to earmarked reserve	0	72	+72		0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Regulatory Income from Parking Penalty Charge Notices (PCNs)	(573)	(600)	(27)	Income from PCNs has continued to increase by more than the increase in car parking income.	0	0
Contribution to PCN bad debt provision	162	236	+74	A higher level of PCNs being issued, and non-payment of them, has meant that it has been necessary to write-off some of the amounts owed and also make an increased bad debt provision for those amounts where still seeking payment to be made. The Council actively chases all PCN debts, and write-off is a last resort.	0	0
Regulatory Princes Mews Car Park Management Fee income	(5)	(35)	(30)	Increase in income results from the negotiation of a new agreement with the landlord of the car park, following the vacation of Morrisons from the premises. As this contract ends in December 2023, no ongoing additional income is assumed.	0	0
Total of explained variances	(3,065)	(3,828)	(763)		180	(221)
Other minor balances	19,803	19,646	(157)		4	(10)
Overall Total	16,738	15,818	(920)		184	(231)

8.3. Cabinet are asked to approve the estimated impact on the 2023/24 budget, an overall decrease in budget of £47k (recommendation 2.3), which comprises;

- £184k of budget carry-forwards from 2022/23 to 2023/24 for projects that were not completed by the end of the financial year. These are shown in the penultimate column of table 4 above. This will take the total budget carried forward to £1.107million, after including those reported and approved at quarter 1, quarter 2, month 8 and quarter 3.
- £231k decrease in budget to reflect the estimated net impact in 2023/24 and beyond of variances identified at Outturn. These are shown in the final column of table 4 above

8.4. The original approved budget for 2022/23 (and therefore working budget) included efficiencies totalling £606k, which were agreed by Council in February 2022. At the end of the year a net total of £1,164k of efficiencies have been achieved in 2022/23. The forecast at the end of Quarter Three was a net overachievement of £1,046k. The increase of £116k since Quarter Three relates to:

- £101k overachievement of the Careline Service efficiency, mainly due to the non-complex needs installation and maintenance service being brought in-house, as highlighted and explained in table 4 above.
- Increase of £33k in the overachievement of forecast interest income from investment of surplus cash balances, as itemised in table four above.
- £18k underachievement of the revenue saving anticipated from capitalising the purchase of new bins. This reflects that we held a stock of bins at the start of the year, which were purchased as a revenue (rather than a capital) cost. As these are provided to residents the value of the original purchase is charged to the revenue budget. This is included in the 'other minor variances' total in table 4.






- 8.5. The working budget for 2022/23 includes budgets totalling £712k 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 2021/22 but was delayed into 2022/23. At Quarter Three, it was forecast that £363k of the total budget carried forward would not be spent in 2022/23. At the end of the year, £446k of the budget carried forward has not been spent. The £83k increase in the final quarter relates to the Strategic Priorities Fund, as explained in table 4 above.
- 8.6. Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2022/23. Table 5 below shows the performance 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 income recorded matched or exceeded the budgeted level of income. A red indicator means that the outturn has not met the budgeted level of income. An amber indicator is only used during the year to highlight that there is a risk that the budgeted level of income may not be met.
- 8.7. At the end of the year, three of the indicators are green and three of the indicators are red. The summary indicators are therefore unchanged from that reported at Quarter Three.

Table 5 - Corporate financial health indicators

Indicator	Status	Original Budget	Outturn	Variance
		£k	£k	£k
Leisure Centres Management Fee	Red	(857)	(578)	279
Garden Waste Collection Service Subscriptions	Green	(1,139)	(1,251)	(112)
Commercial Refuse & Recycling Service Income	Green	(1,113)	(1,142)	(29)
Planning Application Fees (including fees for pre-application advice)	Red	(1,006)	(735)	271
Car Parking Fees	Red	(1,999)	(1,761)	238
Parking Penalty Charge Notices (PCNs)	Green	(573)	(600)	(27)

- 8.8. Table 6 below indicates activity levels, where these drive financial performance, and how these compare to the prior year to indicate the direction of current trends. As performance against the planning applications fee income budget is generally determined by the number of large applications resolved in the year (rather than the total number of applications received), and this distinction is not captured in the data available, this indicator is omitted from table 6.

Table 6 - Corporate financial health indicators – activity drivers

Indicator	Activity Measure	Performance 2022/23	Performance 2021/22	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits	1,465,319	858,655	+70.7%	
Garden Waste Collection Service	Number of bin subscriptions	28,928	27,871	+3.8%	
Commercial Refuse & Recycling Service	Number of customers	1,012	1,044	-3.0%	
Car Parking Fees	Car park tickets sold / average ticket price sold	1,128,375 / £1.65	1,067,999 / £1.58	+5.7% / +4.4%	
Parking Penalty Charge Notices	Number of PCNs issued	13,775	14,098	-2.3%	

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.9. The Council's revenue budget is funded primarily from Council Tax and Retained Business Rates income. The Council was notified by Central Government in February 2022 of the amount of New Homes Bonus, Lower Tier Services Grant and Services Grant it could expect to receive in 2022/23 and planned accordingly. In February 2023 the Government also announced the allocations for the distribution of the business rates levy account surplus to be received in 2022/23.
- 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. The Council must repay in this year its share of the Council Tax and Business Rates Collection Fund deficits for the prior year, as estimated in January 2022. As reported previously, this has meant a contribution from the General Fund of £2k to the Council Tax Collection Fund and £5.345m to the Business Rates Collection Fund in 2022/23.
- 8.11. The Council's share of the Council Tax Collection Fund at the end of the year is a surplus balance of £116k. This represents a reduction of £22k on the forecast surplus of £138k estimated in January. The deterioration in the position in the final quarter will be incorporated in the calculation of the surplus/deficit position for 2023/24 and hence impact the level of Council Tax funding available in 2024/25. It is the forecast surplus amount of £138k that will be transferred from the Collection Fund to the General Fund in 2023/24 and therefore increase the amount of funding available, as was shown in Appendix C to the Revenue Budget 2023/24 report.
- 8.12. The Council's share of the Business Rates Collection Fund at the end of the year is a surplus balance of £1.729million. This represents an increase of £1.276million on the estimated surplus of £453k declared in the NNDR1 return submitted to Government in January. The increase in the surplus at the end of the year is primarily due to a reduction in the calculated provision required at the end of the year for the impact of business rates appeals. The reduction in the appeals provision follows the announcement from Government during the final quarter that the 31st March 2023 would be the deadline for businesses to submit appeals against the 2017 business rates listing. This has allowed the Council to release entirely the provision held for appeals not yet lodged against the 2017 listing, of which the Council's share was £1.3million at the end of the last financial year. This was not anticipated when the estimated surplus was prepared in January. As

explained in the report at quarter 3, it is the forecast surplus amount of £453k that will be transferred to the General Fund in the next financial year.

- 8.13. The Council is also subject to a business rates levy from Central Government as it collects more in business rates than the baseline need determined by Central Government. In 2022/23 the Council is a member of the Hertfordshire Business Rates Pool with five other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year, referred to as the 'pooling gain', though this would be dependent on the actual level of rates collected across the Pool authorities. Based on draft business rate returns submitted to Government at the end of April, the Council has accrued an amount of £273k for the cost of the levy contribution for 2022/23. If the accrued amount is ultimately the final amount payable, this would represent a pooling gain of £638k on the £911k levy that would have been due to government if the Council was outside the business rates pool. The accrued levy contribution has been funded from the grant held in earmarked reserve and therefore has had a net zero impact on the General Fund balance at the end of the year.
- 8.14. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The total grant amount receivable for 2022/23 was £4.457million, which included an amount of £279k received as compensation for the Government's decision to freeze the business rates multiplier for 2022/23. The multiplier compensation is included in the funding total in table 7 below, with the rest of the grant transferred to reserve to fund the repayment of business rate collection fund deficits recorded. Some of the amount held in reserve has therefore been used to fund the £5.345m deficit repayment required in this year and a further £3m has been used to top up the business rates income charged to the General Fund in 2022/23 to the baseline funding amount anticipated when the budget was set.
- 8.15. The Council did not receive non-ringfenced emergency grant funding from government in 2022/23 to help mitigate the ongoing financial impacts of the Covid-19 pandemic. As detailed in the 2022/23 Revenue Budget Report presented to Full Council in February 2022, a central provision of £1.740m was included in the budget for 2022/23. The budget provision was fully allocated, with £1.190m used to mitigate forecast adverse variances reported at Quarter One and a further £550k was unused. The experience in this year was used to refine the central provision amount required for 2023/24, as detailed in the Revenue Budget 2023/24 report.
- 8.16. Table 7 below summarises the impact on the General Fund balance of the outturn position detailed in this report. It should be noted however that the Statement of Accounts for 2022/23 is yet to be audited and changes to the General Fund balance may arise as a result of the final accounts audit

Table 7 – General Fund impact

	Working Budget	Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2022)	(10,607)	(10,607)	-
Net Expenditure	16,738	15,818	(920)
Funding (Council Tax, Business Rates, NHB, Lower Tier Services Grant, 2022/23 Services Grant, Business Rates Levy Surplus)	(15,843)	(15,843)	0
Release of the balance held in the earmarked Special Reserve	(640)	(640)	0
Release of Cemetery Mausoleum earmarked reserve	(175)	(175)	0
Contribution to Collection Fund	5,345	5,345	0
Funding from Reserves (including Business Rate Relief Grant)	(5,888)	(5,888)	0
Carried Forward balance (31st March 2023)	(11,070)	(11,990)	(920)

8.17. 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 £1,808k, and at the end of the year a total of £433k has come to fruition. The identified risk realised in the final quarter relates to:

- Increase in external audit fees exceeding the amount of additional related government grant funding; £4k (as highlighted in table 4 above)

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	1,808
Known financial risks realised in Quarter 1	(41)
Known financial risks realised in Quarter 2	(303)
Known financial risks realised in Quarter 3	(85)
Known financial risks realised in Quarter 4	(4)
Remaining allowance for known financial risks	1,375

EARMARKED RESERVES

8.18. The Council has a number of earmarked reserves, which have been used to fund revenue expenditure during the year. These are detailed in Table 9 below. A total of £5.331 million has been contributed to the reserves in 2022/23 and a total of £10.605million has been transferred out of the reserves to the General Fund.

Table 9 – Earmarked Reserves

	Balance at 1 April 2021	Contributions to reserve	Transfers out of reserves	Balance at 31 March 2022
	£'000	£'000	£'000	£'000
Cemetery Mausoleum Reserve	175	0	(175)	0
Childrens Services Reserve	46	1	0	47
Churchgate Development Reserve	0	138	0	138
Climate Change Grant Reserve	21	0	(2)	19
DLUHC Grants Reserve	9,367	4,198	(9,211)	4,354
Elections Admin Grant Reserve	0	19	0	19
Environmental Health Grants Reserve	0	84	0	84
Growth Area Fund Reserve	32	5	(13)	24
Homelessness Grants Reserve	502	0	(150)	352
Housing & Planning Delivery Reserve	1,016	34	(163)	887
Information Technology Reserve	23	0	0	23
Insurance Reserve	34	0	0	34
Land Charges Reserve	36	0	(24)	12
Leisure Management Maintenance Reserve	68	0	0	68
Museum Exhibits Reserve	14	0	0	14
Neighbourhood Plan Reserve	120	0	(5)	115
Paintings Conservation Reserve	11	0	0	11
Shared Prosperity Fund Grant Reserve	0	17	0	17
Special Reserve	640	0	(640)	0
Street Name Plates	16	0	0	16
Syrian Refugee Project	566	61	(8)	619
Taxi Licences Reserve	7	4	0	11
Town Centre Maintenance	69	8	0	77
Traffic Regulation Orders	381	0	(5)	376
Waste Reserve	836	0	0	836
Waste Vehicles Reserve	1,341	509	0	1,850
Welfare Reform Grants Reserve	614	253	(209)	658
Total Revenue Reserves	15,935	5,331	(10,605)	10,661

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 of reserves.

9.2. The Accounts and Audit Regulations 2015 require that the Annual Statement of Accounts be approved and published.

- 9.3. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 9.4. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves, under Section 25 of the Local Government Act 2003.
- 9.5. Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer.
- 9.6. This is a requirement of the Council Procedure Rules as set out in Part 4.4.1 (b) and 4.4.1 (k) of the Council's Constitution.

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 £11.990million (table 7) meets the recommended minimum balance of General Fund reserves agreed when the budget was set. The Statement of Accounts is however yet to be audited and changes to the General Fund balance may arise as a result of the final audit. As the Housing Benefit claim is also yet to be audited, the relevant values included in the reported outturn are based on un-audited figures.

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. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1. Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may affect staff, appropriate communication and consultation is provided in line with HR policy.

16. APPENDICES

- 16.1. Appendix A - 2022/23 Significant Revenue Budget Variances

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1. None.

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Appendix A - 2022/23 Significant Revenue Budget Variances

Directorate	Significant Service Area Variances	Net Original Direct Budget	Net Direct Outturn	(Under) / Overspend	Summary Explanation	Relevant Report
Managing Director	Treasury Investments Interest Income	(119)	(1,310)	(1,191)	Increase primarily due to the changes to the Bank of England base rate. Original budget based on bank rate of 0.25% at the start of 2022, increased incrementally to 4.25% by the end of the financial year.	Q1, Q2, Q3 & Outturn 2022/23
	Covid-19 Central Provision	1,740	0	(1,740)	Contingency budget mitigated impact on General Fund of around £1.2m of Covid impacts identified, including the leisure, parking and AFM income shortfalls itemised below. Approximately £0.5m was not required.	Q1 & Q3 2022/23
	Other budgets with variances under £100k	1,801	1,560	(241)		
	Directorate Total	3,422	250	(3,172)		
Customers Directorate	Customers Directorate Staffing Costs	3,658	3,847	189	The pay award for 2022/23 was an increase of £1,925 to every pay point. The assumption in the original budget for 2022/23 was a pay offer of 2%.	Q1 2022/23
	Net Housing Benefit Expenditure	324	479	155	Shortfall in Housing Benefit subsidy income primarily due to housing benefit payments in respect of temporary accommodation not being eligible for full reimbursement through the subsidy.	Q1 & Outturn 2022/23
	Housing Benefit Overpayments Income - Contribution to bad debt provision	300	28	(272)	Relatively lower levels of overpayments raised in recent years, combined with a higher proportion of debt successfully collected, have reduced total amount of debt outstanding. This has reduced the level of bad debt provision required at year end and hence reduced the contribution needed from the General Fund.	Outturn 2022/23
	Careline Installation and Maintenance	300	116	(184)	The non-complex needs installation and maintenance service was brought in-house part way through the year, resulting in a saving compared to outsourced contract.	Outturn 2022/23
	Other budgets with variances under £100k	(716)	(664)	52		
	Directorate Total	3,866	3,806	(60)		
Enterprise Directorate	Commercial Property Income	(1,335)	(1,471)	(136)	Conclusion in this financial year of two rent reviews that had been ongoing for some time. Outturn includes the back-rent due.	Q1 2022/23
	Other budgets with variances under £100k	1,187	1,173	(14)		
	Directorate Total	(148)	(298)	(150)		
Legal & Community Directorate	Directorate Total (all budgets have variances under £100k)	2,281	2,395	114		
Place Directorate	Domestic Waste & Recycling and Street Cleansing Contract Expenditure	5,594	5,945	351	The budget for 22/23 assumed a contract indexation of 3.7%, based on the respective indices at that time. Subsequent increase in inflation indices resulted in actual indexation rate for 22/23 of 9.9%.	Q1 2022/23
	AFM Income	(421)	(125)	296	Greater levels of residual waste generated across Hertfordshire increased the overall costs of disposal incurred by HCC and reduced the total AFM amount shared with collection authorities.	Q1 2022/23
	Leisure Centre Management Contracts Fee Income	(857)	(578)	279	Increase in income compared to prior year indicative of continued recovery in usage through the year. Additional income from growth in demand partly offset by cost pressures.	Q1, Q2 & Outturn 2022/23
	Other budgets with variances under £100k	404	362	(42)		
	Directorate Total	4,720	5,604	884		
Regulatory Services Directorate	Supplementary Planning Documents	167	0	(167)	The new Local Plan was subject to significant delays before being adopted in November 2022. A programme of work for the supporting SPDs is now being prepared.	Month 8 2022/23
	Planning Applications Income	(1,006)	(735)	271	Introduction of masterplanning procedures displaced pre-application income on large schemes. General slowdown in the construction sector as a result of economic uncertainty.	Q2 2022/23
	Car Parking Fees Income	(1,999)	(1,761)	238	Income receipts at approximately 90% of the level observed prior to the Covid-19 pandemic. Plateau in recovery indicative of one or both of; a long-term shift to working from home; the increase in the cost-of-living deterring journeys into town centres for leisure activities and shopping.	Q1 2022/23
	Car Parking Season Tickets Income	(320)	(183)	137	Income shortfall attributed to greater levels of home working adopted in response to the pandemic.	Q1 & Q3 2022/23
	Other budgets with variances under £100k	4,565	4,255	(310)		
	Directorate Total	1,407	1,576	169		
	Resources Directorate	Directorate Total (all budgets have variances under £100k)	2,650	2,485	(165)	
OVERALL TOTAL		18,198	15,818	(2,380)		

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