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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

WEDNESDAY, 15TH JUNE, 2022

SUPPLEMENTARY AGENDA

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

Agenda No	Item
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10.	<u>REVENUE BUDGET OUTTURN 2021/22</u> (Pages 3 - 22)
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REPORT OF: THE SERVICE DIRECTOR - RESOURCES

To consider the Revenue Budget Outturn 2021/22

Please find attached updated papers for the above item.

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CABINET
21 June 2022

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: REVENUE BUDGET OUTTURN 2021/22 – ADDENDUM REPORT

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE AND EFFICIENT COUNCIL

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 2021/22. The net outturn of £16.892m represents a £592k decrease from the working budget of £17.484million. The significant variances are detailed and explained in table 4. There are corresponding requests to carry forward £172k (of underspends) to fund specific projects that will now take place in 2022/23. There is a further forecast impact on the 2022/23 base budget of a £7k increase.

2. RECOMMENDATIONS

2.1. That Cabinet note this report.

2.2. That Cabinet approves a decrease of £592k in the 2021/22 net General Fund expenditure, as identified in table 4 and paragraph 8.1, to a total of £16.892million.

2.3. That Cabinet approves the changes to the 2022/23 General Fund budget, as identified in table 4 and paragraph 8.3, a total £179k increase 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 £8.123million.

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 9th May 2022.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2021/22 of £18.441million in February 2021. At the end of the financial year the working budget has decreased to £17.484million. 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 2021/22 approved by Full Council	18,441
Quarter 3 2020/21 Revenue Budget Monitoring report – 2021/22 budget changes approved by Cabinet (March 2021)	(17)
2020/21 Revenue Budget Outturn Report – 2021/22 budget changes approved by Cabinet (June 2021)	377
Quarter 1 2021/22 Revenue Monitoring report - 2021/22 variances approved by Cabinet (September 2021)	560
Quarter 2 2021/22 Revenue Monitoring report - 2021/22 variances approved by Cabinet (December 2021)	(1,256)
Month 8 revenue monitoring included within 2022/23 budget report – 2021/22 variances approved by Cabinet (January 2022)	(111)
Quarter 3 2021/22 Revenue Monitoring report - 2021/22 variances approved by Cabinet (March 2022)	(510)
Current Working Budget	17,484

- 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 2021/22.

Table 2 – 2021/22 Service Directorate Budget Allocations

	Managing Director	Commercial	Customers	Legal & Community	Place	Regulatory Services	Resources	Total
	£k	£k	£k	£k	£k	£k	£k	£k
Original Budget	1,910	(285)	3,831	2,201	6,980	1,187	2,617	18,441
Q3 2020/21	0	6	0	38	(81)	20	0	(17)
Outturn 2020/21	324	12	45	4	(8)	0	0	377
Q1 2021/22	96	27	162	11	144	131	(11)	560
Q2 2021/22	11	(64)	(281)	(107)	(1,263)	460	(12)	(1,256)
Month 8 2021/22	0	42	39	(19)	(59)	(114)	0	(111)
Q3 2021/22	(120)	32	50	(35)	(133)	(218)	(86)	(510)
Other Changes	(279)	76	26	76	327	(10)	(216)	0
Current Budget	1,942	(154)	3,872	2,169	5,907	1,456	2,292	17,484

8. RELEVANT CONSIDERATIONS

- 8.1. Cabinet are asked to approve the net expenditure on the General Fund in 2021/22 of £16.892 million (recommendation 2.2). This is a net decrease of £592k on the working budget of £17.484million. 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 – 2021/22 Revenue Outturn by Service Directorate

Directorate	Net Direct Working Budget	Net Direct Outturn*	(Under) / Overspend
Managing Director	2,039	1,806	(233)
Commercialisation Directorate	(154)	(132)	22
Customers Directorate	3,872	3,875	3
Legal & Community Directorate	2,169	2,155	(14)
Place Directorate	5,810	5,587	(223)
Regulatory Services Directorate	1,456	1,346	(110)
Resources Directorate	2,292	2,255	(37)
TOTAL	17,484	16,892	(592)

* 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 (2022/23) budget:

Table 4 - Summary of significant variances

Service Directorate & Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Managing Director Unallocated Income Receipts	0	(30)	(30)	Outturn represents income received in the Council's bank account in 2019/20 and 2020/21 where it has since not been possible to allocate the funds due to there being no reference or details. Should a business or individual come forward with evidence of payment at some point in the future, the income receipt will be reallocated accordingly.	0	0

Service Directorate & Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Managing Director Apprenticeship Scheme	115	0	(115)	This year there were a couple of apprentices who left the council before the end of their apprenticeships. There have also been some delays in advertising placements due to investigating new, more specialist, apprenticeship course options available to better match service area requirements. The time lapse between the allocation of placements to service areas and the appointment of successful applicants is now being tracked to allow for better planning. The number of apprenticeship placements has temporarily been increased to make best use of this underspend and therefore it is requested that the unspent budget is carried forward to finance these placements in the next financial year.	115	0
Managing Director NHC Website Development	65	14	(51)	The estimated investment required for the rebuild of the website, as approved by Council in February 2021, was based on some initial soft market testing, with the tender process at that point still to take place. The outcome of the procurement exercise was a significant reduction in the resource required to deliver the project.	0	0
Managing Director District Wide Survey Consultants Costs	18	4	(14)	The appointed consultants are behind schedule in conducting the survey, primarily due to sickness absence within their team. As at the end of March, 149 interviews had been completed, with at least another 100 to capture. A carry forward of the unspent budget is requested to fund the work undertaken by the consultants in the next financial year to complete the survey.	14	0
Customers Directorate Staffing Costs	5,017	4,984	(33)	Underspend is mainly due to the vacant Senior Benefits Officer post, which has subsequently been deleted in 2022/23 as per the efficiency proposal approved by Council in February.	0	0

Service Directorate & Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Customers Directorate Outbound Mail Contract	130	173	+43	As reported to Cabinet at Q1 20/21, the renegotiation of the contract effective from August 2020 enabled the Council to realise further ongoing savings to the annual budget of approximately £50k from lower than originally estimated volumes of outbound post being processed by the contractor. Volumes have however subsequently risen across a range of services, most notably Elections, Careline and Income Recovery, with Covid-19 contributing to the increase. The Council is seeking to reduce its postal spend by making greater use of email, text alerts and online self-service, with a working group set up to maintain the focus on reducing postage spend. It is however anticipated that volumes in 2022/23 will be at a similar level to the current year.	0	52
Customers Directorate Contribution to Sales Ledger Bad Debt Provision	70	106	+36	Increase in contribution to the bad debt provision is primarily due to several ageing commercial rents debts. As the debts age, it is considered less likely that the debt will be recovered in full and hence provision is made for a greater proportion of the debt outstanding. The government introduced restrictions in the recovery of commercial debt to help businesses struggling due to the pandemic.	0	0
Customers Directorate Court Fees Refund	0	(40)	(40)	The Ministry of Justice (MOJ) announced in 2018 that, following an administrative error, Councils had been overcharged for certain court fees between 1st April 2014 and 21 st July 2018. Councils had been charged £3.00 for a Council Tax Liability Order application, when this fee should instead have been set to £0.50 to reflect the actual costs incurred. For North Herts Council this has amounted to an eligible compensation amount of £39,580. The refund was received from the MOJ in March.	0	0

Service Directorate & Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Customers Directorate Covid-19 Business Support Grant Payments	0	39	+39	It was identified last year that £49k of Covid-19 grant payments had been paid incorrectly, due to either businesses providing the wrong bank details or input error. Specialist software was consequently put in place for future rounds of grants, offering the facility to check that account names matched with the bank details provided on the application. £10k has since been returned to North Herts, leaving £39k outstanding. The relevant details have been shared with the Hertfordshire Shared Anti-Fraud Service to try and recover the funds but, as the payments were made approximately two years ago, it is considered highly unlikely that the amounts will be retrieved.	0	0
Customers Directorate New Burdens Grant Income for administration of self-isolation payments	(26)	(158)	(132)	As this scheme was generally delivered using existing staff and technology, the administrative burden of processing self-isolation payments did not result in significant additional costs. The variance therefore reflects the unspent grant income.	0	0
Customers Directorate Net Housing Benefit Expenditure	411	568	+157	Increase in net expenditure is due to an increase in the level of benefit overpayments identified in 2021/22 (as highlighted below). Overpaid amounts are eligible for only 40% reimbursement by government through Housing Benefit subsidy.	0	0
Customers Directorate Housing Benefit Overpayments Income	(325)	(359)	(34)	The increase in overpayments income raised in 2021/22 follows claimant reviews in the year undertaken by both the Council and the Department for Work and Pensions (DWP). The expectation however remains that the level of overpayments income will shrink in future years as working age housing benefit clients migrate to the Universal Credit scheme administered by the DWP.	0	0

Service Directorate & Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Customers Directorate Housing Benefit Overpayments Income – Contribution to Bad Debt Provision	0	35	+35	The outturn of £35k represents a significant reduction on the original budget expectation of £300k and the prior year outturn of £218k. At Quarter Two the working budget was reduced to zero, based on the much lower level of overpayments raised in 2020/21 relative to the years prior and the impact of this on the calculated provision required, as detailed and explained in the Quarter Two monitoring report. The variance at the end of the year is due to the ageing of debt in the final quarter, with outstanding debt relating to income raised towards the end of 2020/21 eligible to be included in the provision calculation as it reached 12 months old.	0	0
Place Directorate Waste Awareness Expenditure (AFM Funded)	111	24	(87)	This budget is used for improving communication and engaging with residents on waste related matters with the aim of improving recycling performance and our environment. The planned programme of events and activities has been limited due to Covid, while a proportion of the budget earmarked for additional staffing was instead funded from vacancies in the staffing budget. With AFM income receipts expected to reduce in the coming years, it is requested that the unspent budget is transferred to the Waste Earmarked Reserve.	0	0
Place Directorate Garden Waste Collection Service Subscription Income	(1,156)	(1,201)	(45)	Overachievement of the income budget reflects the continued high level of demand for the service, with a greater number of households than expected signing up to the service midway through the twelve-month subscription period.	0	(45)
Place Directorate Commingled Recycling – Haulage and Processing Costs	381	138	(243)	Amounts charged by the contractor for haulage and processing are net of income generated from the sale of the recycled materials collected. The underspend variance is a result of the higher prices achieved in recent months from the sale of the materials collected.	0	0

Service Directorate & Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Place Directorate Leisure Centre management – additional finance support to Stevenage Leisure Limited (SLL)	5	(41)	(46)	The contribution from SLL is indicative of the continued recovery in activity at the Leisure Centres, with actual usage in quarter four exceeding the recovery target for the quarter. The original budget assumed net payments to SLL of £1.18m, as part of the additional £2m financial support approved by Council in January 2021 to keep the Leisure Centres open. The outturn therefore represents a financial loss to the Council in this year of £776k, when compared to the management contract fee income of £817k anticipated in budget estimates prior to the Covid-19 pandemic.	0	0
Place Directorate Hitchin and Royston Gym Equipment Loan to SLL – Contribution to Impairment Allowance	0	158	+158	In August 2017 Council approved a loan of £510k to SLL for the purchase of gym and fitness equipment at Hitchin and Royston Leisure Centres. The loan principal was originally scheduled to be fully repaid by the end of March 2023, but repayments ceased at the onset of the Covid-19 related restrictions on leisure centre operations. Given the extended period of recovery anticipated for leisure centres, it is not certain when the loan repayments will resume. The contribution to the impairment allowance, equivalent to 50% of the loan principal outstanding, recognises this uncertainty in the Council's accounts.	0	0
Regulatory Services Directorate Welcome Back Fund Grant Income	(156)	(129)	+27	The Council has provided funding through the Welcome Back Fund to help attract visitors to our Town Centres through promotions and making them more attractive. The funding has also been used to develop plans for the further recovery of the Town Centres. This should have all been funded by Government through European Regional Development funding. As this was EU funding it had a requirement that all funding had to be physically paid by 31st March 2022. This payment deadline was missed on some payments, which resulted in a net shortfall of £27k, as there had not been a notification that the payment terms for the suppliers needed to be overridden. These costs can therefore not be reclaimed and will have to be met from General Fund reserves. It is unlikely that there will be future funding with such conditions, as this was a specific EU funding requirement. The general rule for Government funding is that the costs must be incurred in the correct year, but there is no requirement around when actual payment is made	0	0

Service Directorate & Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Regulatory Services Directorate Traffic Regulation Orders	15	4	(11)	The Royston Parking review was not concluded by the end of March 2022 due to the need to undertake a further round of public consultation in December 2021/January 2022 on a revised scheme, and the subsequent time required to analyse the responses and assess the outputs. A carry forward is requested of the unspent budget to fund the completion of this project in the next financial year.	11	0
Regulatory Services Directorate On Street Parking Lines & Signs	43	33	(10)	Contractors were approached and quotations sought in respect of several projects, including lining work in Knebworth and replacement of street name plates, that were due to be completed in 2021/22. It is requested that the unspent budget is carried forward to fund the delivery of these works in the next financial year.	10	0
Regulatory Services Directorate Car Park Season Ticket Income	(165)	(132)	+33	While income from season ticket sales was more than 50% higher than the total achieved in 20/21, it still represents less than half that achieved in the years prior to the Covid-19 pandemic. The slow recovery has been recognised in the budget for 2022/23, with the central Covid-19 contingency budget providing for an underachievement of £120k, equivalent to 40% of the normal (pre-Covid) budget.	0	0
Regulatory Services Directorate Electric Vehicle Charging Strategy	11	0	(11)	Work was due to commence this year on the Ecostars scheme, which is a scheme to help fleet vehicle operators reduce fuel consumption and reduce vehicle emissions by switching to electric vehicles. Due to Covid-19 and the related restrictions in having face to face meetings, work has only just started on this scheme. It is therefore requested to carry forward the remaining £10,500 to continue the project in 2022/23.	11	0
Regulatory Services Directorate Homelessness Grant Income	(713)	(769)	(56)	Rough Sleeper Initiative funding received in the final quarter of 2021/22 was £56k more than anticipated in the working budget. It is recommended that this amount is transferred to the Homelessness reserve to finance service pressures in future years.	0	0

Service Directorate & Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Regulatory Services Directorate Housing Stock Condition Survey	20	0	(20)	This project was earmarked to commence in 2021/22 but has been delayed in finalising procurement arrangements. It is expected that this will now be completed in the first 6 months of the financial year 2022/23 and therefore a carry-forward of the unspent budget in the current year is requested to fund the delivery of the survey in 22/23.	20	0
Regulatory Services Directorate Planning Application Income	(853)	(915)	(62)	The overachievement of planning income is due to the receipt of unexpected applications for solar farms. It is requested that the income surplus achieved is transferred to the Housing and Planning Delivery reserve to mitigate the financial impact of Local Plan adoption costs in 22/23.	0	0
Total of explained variances	3,018	2,506	(512)		181	7
Other minor balances	14,466	14,386	(80)		(9)	0
Overall Total	17,484	16,892	(592)		172	7

- 8.3. Cabinet are asked to approve the estimated impact on the 2022/23 budget, an overall increase in budget of £179k, which comprises;
- £172k of budget carry-forwards from 2021/22 to 2022/23 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 carry-forward to £712k, after including those reported and approved at quarter 1, quarter 2, month 8 and quarter 3.
 - £7k increase in budget to reflect the estimated net impact in 2022/23 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 2021/22 included efficiencies totalling £286k, which were agreed by Council in February 2021. At the end of the year a net total of £286k of efficiencies have been achieved in 2021/22, as was forecast at Quarter Three.
- 8.5. At the start of the financial year, the working budget for 2021/22 included budgets totalling £719k 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 2020/21 but was delayed into 2021/22. At Quarter Three it was forecast that £318k of the total carried forward would not be spent in 2021/22. At the end of the year, a total of £390k has not been spent in 2021/22, all of which has either been requested to be carried forward again into 2022/23 or the unspent budget has been requested to be transferred to an earmarked reserve. The increase in the final quarter relates to the Housing Stock Condition Survey and the AFM-funded expenditure budget for waste minimisation and awareness initiatives, as itemised and explained in table 4 above.

- 8.6. There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. 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 red and one indicator is green. The summary indicators are therefore unchanged from that reported at Quarter Three. While the position in respect of planning application fees and car parking fees income did improve marginally during the final quarter, the totals achieved still represented a shortfall against the original budget expectation.

Table 5 - Corporate financial health indicators

Indicator	Status	Original Budget	Outturn	Variance
		£k	£k	£k
Planning Application Fees (including fees for pre-application advice)	Red	(953)	(915)	38
Land Charges	Red	(164)	(154)	10
Car Parking Fees	Red	(1,975)	(1,607)	368
Parking Penalty Charge Notices	Green	(573)	(582)	(9)

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.8. 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 2021 of the amount of New Homes Bonus, Lower Tier Services Grant, and Covid-19 Emergency Grant Funding it could also expect to receive in 2021/22 and planned accordingly.
- 8.9. 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. In 2021/22 the Council has made a contribution from the General Fund of £77k to the Council Tax Collection Fund and £7.9m to the Business Rates Collection Fund. These amounts follow from the estimated deficits for 2020/21 declared to government in January 2021. As initially highlighted in the 2021/22 Revenue Budget Report, government legislation introduced in response to the impact of the Covid-19 pandemic on local government finances required the repayment of the estimated 20/21 Collection Fund deficits (after adjusting for certain elements), as estimated in January 2021, to be spread in equal instalments over the following three financial years.
- 8.10. An overall deficit of £62k has been recorded on the Council Tax Collection Fund at the end of the year, an increase of £6k on the forecast deficit of £56k estimated in January 2022. £54k of this deficit total is the spreading amount of the deficit for 2020/21, as estimated in January 2021, and will be charged in 2023/24 accordingly. A contribution from the General Fund of £2k will be required in 2022/23, as was explained in the Quarter Three Revenue Monitoring Report. The £6k deterioration in the position in the final quarter of 2021/22 will be incorporated in the calculation of the surplus/deficit position for 2022/23 and hence impact the level of Council Tax funding available in 2023/24.

- 8.11. At the time of writing this report the position on the Business Rates Collection Fund has not been finalised, with the declaration to government via the NNDR3 return not yet prepared and submitted. Initial calculations indicate a total deficit at the end of the year of around £5.5m. This represents a marginal improvement in the position detailed at Quarter Three, and as declared in the NNDR1 return submitted to Central Government in January 2022, where the forecast for 2021/22 was a total deficit of £5.76million. The total deficit includes the third and final 2020/21 deficit spreading amount of £416k that will be included in the surplus/deficit calculation for 2022/23 and repaid in 2023/24. The movement in the deficit position for 2021/22 in the final quarter of the year will not change the £5.344million contribution required in the next financial year and will instead impact the funding position for 2023/24.
- 8.12. 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 Council has received a grant allocation of £1.794m for non-Covid related reliefs in 2021/22, which includes an estimated amount of £142k received as compensation for the Government's decision to freeze the business rates multiplier for 2021/22, as well as expecting to retain a further £3.4m of s31 grants received as compensation for temporary rate reliefs introduced by government in response to the Covid-19 pandemic. The multiplier compensation is included in the funding total in table 7 below. The rest of the grant received will be held in 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 £7.9m deficit repayment required in this year. A further £3m of the grant receivable is also expected to be applied in 2021/22 to ensure the level of business rates funding retained in the General Fund for 2021/22 matches the position declared to government in the NNDR1 return for 2021/22, submitted in January 2021, as required by statute.
- 8.13. The Council may also be eligible to retain further section 31 grant funding relating to the impact of the Covid-19 Additional Relief Fund (CARF). The Council has received a cash receipt of £2.6m from government to facilitate the scheme, the cost of which will be dependent on the level of applications received from local businesses. Reliefs awarded through the fund will result in a corresponding equivalent increase in the reported business rates collection fund deficit and hence, other than cashflow timings, there is a net nil effect on the Council's financial position. At the time of writing only 16 applications have been received and the value of these has not yet been established. Given therefore the likely low value of the amounts involved, at this stage the assumption in the calculated deficit for 2021/22 noted above is that the entire cash receipt will be returned to government next year, though this may change once the applications have been reviewed and the scheme is administered in the coming months.
- 8.14. The Council is also subject to a business rates levy from Central Government as we collect more in business rates than the baseline need determined by Central Government. In 2021/22 the Council was 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. In 2020/21 the Council benefited from a 'pooling gain' (reduction to levy contribution) of £54k. There are however a range of potential outcomes for the current year, with the final outcome depending on the actual level of rates collected by both North Herts as well as the other collection authorities in the Pool. At the time of writing Hertfordshire County Council, the Pool lead authority, has not yet notified NHDC of the final outcome for 2021/22. In any case, the contribution required to the Pool to meet the total levy payable for the pooled authorities will be funded from the grant held in reserve and as such will have a net zero impact on the General Fund balance.

- 8.15. The Council has received from government non-ringfenced emergency grant funding in 2021/22 of £558k and a Council Tax Support Grant of £230k to help mitigate the financial impact of the Covid-19 pandemic. In addition, the MHCLG (now DLUHC) scheme inviting Local Authorities to apply for compensation for loss of sales, fees and charges income due to the impact of Covid-19 affecting demand was extended to cover the first quarter of 2021/22. The eligible income compensation for North Herts Council relating to 2021/22 was calculated to be £308k, as denoted in table 7 below, and the corresponding income receipt has been received. While the Council expects to retain this income compensation, it should be noted that all payments made under the scheme are currently subject to a reconciliation process (including those reported in the last financial year) and the outcome at this stage is unknown.
- 8.16. The most significant financial impact of the pandemic in 2021/22 relates to the financial support required for SLL to maintain operations at the Council's Leisure Centres during the year. Estimated support was determined and approved by Council in January 2021, with additional budget provision of £2m included in the original revenue budget for 2021/22, which included the waiver of £817k of management fee income due to the Council. As noted in table 4, the additional support required by SLL has ultimately reduced from the budgeted total of £2m to a revised total of £776k for 2021/22. The impact has been slightly offset by £11k of Leisure Recovery grant received from Sport England for activity in 2021/22, therefore reducing the total overall impact to £765k.
- 8.17. The original revenue budget was however not adjusted for ongoing financial impacts in other service areas, with the risk instead reflected in the calculation of the minimum General Fund balance required at the start of the year. Table 6 below itemises those other service areas where the impact of Covid-19 in 2021/22 has been significant.

Table 6 – COVID-19 Financial Impact on General Fund

Budget Area	Revenue Budget Impact reported at Q1	Revenue Budget Impact reported at Q2	Revenue Budget Impact reported at Q3	Revenue Budget Impact reported at Outturn	Total Budget Impact 2021/22	Eligible for Income guarantee*	Estimated Sales, Fees and Charges (SFC) Contribution	Balance not covered by SFC contribution
	£k	£k	£k	£k	£k		£k	£k
Homeless Accommodation	160	72	0	0	232	No	0	232
Hitchin Town Hall	25	0	33	0	58	Yes	17	41
Car Parking Fees Income	102	288	0	(22)	368	Yes	78	290
Car Park Season Ticket Income	61	91	0	33	185	Yes	43	142
Trade Waste and Recycling	32	0	0	0	32	Yes	14	18
Total	380	451	33	11	875		152	723

* Support from Government covers 75% of relevant losses incurred up to the end of June 2021 that are in excess of 5% of the original budget for the first quarter.

8.18. Table 7 below summarises the impact on the General Fund balance of the outturn position detailed in this report. The revision to the 'funding' total in the table relates to retained business rates income and follows the reconciliation of the General Fund entries to the position declared to government in the NNDR1 return for 2021/22. It should however also be noted at this point that the Statement of Accounts for 2021/22 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 2021)	(8,865)	(8,865)	-
Net Expenditure	17,484	16,892	(592)
Funding (Council Tax, Business Rates, NHB, Lower Tier Services Grant)	(15,135)	(15,111)	24
Contribution from Funding Equalisation Reserve	(398)	(398)	0
Contribution to Business Rates Collection Fund	7,911	7,911	0
Funding from Reserves (including Business Rate Relief Grant)	(9,904)	(9,904)	0
Covid-19 un-ringfenced government grant funding	(558)	(558)	0
Covid-19 related income losses compensation to June 2021	(308)	(308)	0
Covid-19 Council Tax Support Grant	(230)	(230)	0
Carried Forward balance (31st March 2022)	(10,003)	(10,571)	(568)

8.19. 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 4). 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 came 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 £2,101k, and at the end of the year a total of £576k has come to fruition. The identified risk realised in the final quarter relates to;

- District by-election for the ward of Hitchin Highbury in March 2022 (included within "other minor variances" in table 4 above) - £9k.

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	2,101
Known financial risks realised in Quarter 1	(217)
Known financial risks realised in Quarter 2	(317)
Known financial risks realised in Quarter 3	(33)
Known financial risks realised in Quarter 4	(9)
Remaining allowance for known financial risks	1,525

EARMARKED RESERVES

8.20. The Council has a number of earmarked reserves, which can be used to fund revenue expenditure. These are detailed in Table 9 below. At the time of writing this report, a total of £3.202million has been contributed to the reserves in 2021/22 and a total of £11.325million has been transferred out of the reserves to the General Fund. These totals will however change once the position on the Business Rates Collection fund is finalised, as explained in paragraphs 8.10 – 8.12.

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	0	175
Childrens Services Reserve	91	0	(45)	46
Climate Change Grant Reserve	25	0	(4)	21
Funding Equalisation Reserve	397	0	(397)	0
Growth Area Fund Reserve	53	0	(21)	32
Homelessness Grants Reserve	481	434	(413)	502
Housing & Planning Delivery Reserve	1,022	90	(96)	1,016
Information Technology Reserve	58	0	(35)	23
Insurance Reserve	34	0	0	34
Land Charges Reserve	66	0	(30)	36
Leisure Management Maintenance Reserve	26	42	0	68
MHCLG (now DLUHC) Grants Reserve	14,298	1,694	(9,925)	6,067
Museum Exhibits Reserve	14	0	0	14
Neighbourhood Plan Reserve	98	45	(23)	120
Paintings Conservation Reserve	11	0	0	11
Special Reserve	743	0	(103)	640
Street Name Plates	16	0	0	16
Syrian Refugee Project	450	131	(15)	566
Taxi Licences Reserve	7	0	0	7
Town Centre Maintenance	61	8	0	69
Traffic Regulation Orders	386	0	(5)	381
Waste Reserve	749	87	0	836
Waste Vehicles Reserve	913	428	0	1,341
Welfare Reform Grants Reserve	584	243	(213)	614
Total Revenue Reserves	20,758	3,202	(11,325)	12,635

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 £10.571million (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 – 2021/22 Significant Revenue Budget Variances

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1. None.

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Appendix A - 2021/22 Significant Revenue Budget Variances

Directorate	Significant Service Area Variances	Net Original Direct Budget	Net Direct Outturn	(Under) / Overspend	Summary Explanation	Relevant Report
Managing Director	Apprenticeship Scheme	290	175	(115)	Original budget total includes carry forward approved at Q3 20/21 for comparison purposes. Underspend reflects delays in recruitment and two apprentices leaving before their contract end dates.	Q3 2020/21 & Outturn 2021/22
	Other budgets with variances under £100k	1,620	1,631	11		
	Directorate Total	1,910	1,806	(104)		
Commercialisation Directorate	Directorate Total (all budgets have variances under £100k)	(285)	(132)	153		
Customers Directorate	Contribution to Bad Debt Provision for Housing Benefit Overpayments Income	300	35	(265)	Much lower level of overpayments income raised in 2020/21 relative to the years prior reduced outstanding debt amounts included in provision calculation.	Q2 & Outturn 2021/22
	Net Housing Benefit Expenditure	188	568	380	Shortfall in Housing Benefit subsidy income primarily due to housing benefit payments in respect of temporary accommodation (approx. £0.5m in 21/22) not being eligible for full reimbursement through the subsidy.	Q1, Q2 & Outturn 2021/22
	New Burdens Grant Income for administration of self-isolation payments	0	(132)	(132)	Unspent grant income as scheme was delivered using existing staff and technology.	Outturn 2021/22
	Other budgets with variances under £100k	3,343	3,404	61		
	Directorate Total	3,831	3,875	44		
Legal & Community Directorate	Directorate Total (all budgets have variances under £100k)	2,201	2,155	(46)		
Place Directorate	Domestic Waste & Recycling and Street Cleansing Contract Expenditure	4,720	4,861	141	Total excludes Garden Waste (included below). The budget for 21/22 assumed a contract indexation of 0.4%, based on the respective indices at that time. Subsequent increase in inflation indices resulted in actual indexation rate for 21/22 of 3.8%.	Q1 2021/22
	Commingle Recycling Credits income	(473)	(579)	(106)	Tonnages remained higher than those recorded prior to the Covid-19 pandemic	Q2 2021/22
	Commingle Recycling Haulage and Processing Costs	381	138	(243)	Higher prices achieved from the sale of the materials collected.	Outturn 2021/22
	Net Direct Income from Garden Waste Service	(574)	(675)	(101)	High level of demand for the service.	Q3 2020/21 & Outturn 2021/22
	Additional Financial Support to SLL	1,183	(41)	(1,224)	Activity recorded exceeded recovery target. £1.224m underspend against total support package of £2m (including waived management fee income) represents £776k loss to Council.	Q2, Q3 & Outturn 2021/22
	Fitness Equipment Loan to SLL – Contribution to Impairment Allowance	0	158	158	Recognition in accounts of uncertainty as to when loan repayments will resume.	Outturn 2021/22
	Other budgets with variances under £100k	1,743	1,725	(18)		
	Directorate Total	6,980	5,587	(1,393)		
Regulatory Services Directorate	Staffing Costs	3,540	3,363	(177)	Several retirements and resignations. Posts were held vacant due to the delay in the Local Plan and, in the case of Parking Services, the reduction in parking activity associated with Covid-19.	Q2 & Q3 2021/22
	Supplementary Planning Documents	167	0	(167)	Progress delayed due to focus on masterplanning and secondment of staff to Development Management. Unspent budget carried forward to fund expenditure in 2022/23.	Q2 & M8 2021/22 (M8 within 2022/23 Budget Report)
	Car Parking Fees Income	(1,975)	(1,607)	368	Covid-19 related restrictions on social activity in place throughout Q1, with recovery ongoing.	Q1 & Q2 2021/22
	Car Parking Season Tickets Income	(317)	(131)	186	Income reduction attributed to greater levels of home working adopted in response to the pandemic.	Q1, Q2 & Outturn 2021/22
	Other budgets with variances under £100k	(228)	(279)	(51)		
	Directorate Total	1,187	1,346	159		
Resources Directorate	Directorate Total (all budgets have variances under £100k)	2,617	2,255	(362)		
Overall TOTAL		18,441	16,892	(1,549)		

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