

**FINANCE, AUDIT AND RISK COMMITTEE
7 SEPTEMBER 2020**

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FIRST QUARTER REVENUE MONITORING 2020/21

REPORT OF THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

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 the financial year 2020/21, as at the end of the first quarter. The forecast variance is a £1.468million increase on the net working budget of £15.826million, with an ongoing impact in future years of a £58k increase and requests to carry forward budget totalling £128k to fund specific projects in 2021/22. Within these summary totals there are a number of budget areas with more significant variances, which are detailed and explained in table 3.
- 1.2. The report also provides an update on;
- the delivery of planned efficiencies (paragraph 8.5)
 - the use of budget approved to be carried forward from 2019/20 (paragraph 8.6)
 - performance against the four key corporate 'financial health' indicators (paras 8.7-8.8)
 - the overall forecast funding position for the Council and factors that may affect this (paras 8.9 – 8.16)

2. RECOMMENDATIONS

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a £1.468million increase in net expenditure.
- 2.3. That Cabinet notes the changes to the 2021/22 General Fund budget, as identified in table 3 and paragraph 8.2, a total £186k increase in net expenditure. These will be incorporated in the draft revenue budget for 2021/22.
- 2.4. That Cabinet approves the write-off of debtor invoices totalling £17,442.64 raised to Hitchin Markets Limited, as explained in paragraphs 8.3 and 8.4.

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 5th May 2020.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2020/21 of £15.136million in February 2020. As at quarter 1 the working budget has increased to £15.826million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original approved budget for 2020/21	15,136
Quarter 3 2019/20 Revenue Monitoring report – 2020/21 budget changes approved by Chief Executive under delegated authority as a result of the Cabinet meeting on 24 March 2020 being cancelled due to Covid-19 situation (March 2020)	287
2019/20 Revenue Outturn Report – 2020/21 budget changes approved by Cabinet (June 2020)	403
Current Working Budget	15,826

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate in 2020/21 and how this has changed from the original budget allocations approved by Council in February 2020.

Table 2 – Service Directorate Budget Allocations

	Original Budget 2020/21	Changes approved at Q3 2019/20	Changes approved at Outturn 2019/20	Other Budget Transfers	Current Net Direct Working Budget
Service Directorate	£k	£k	£k	£k	£k
Chief Executive	1,908	41	133	(178)	1,904
Commercialisation	(457)	(2)	0	30	(429)
Customers	3,419	14	137	96	3,666
Legal & Community	2,255	58	(1)	58	2,370
Place	4,416	0	35	14	4,465

Regulatory Services	1,089	175	99	(19)	1,344
Resources	2,506	1	0	(1)	2,506
TOTAL	15,136	287	403	0	15,826

7.3 In July, Cabinet received a report detailing the forecast financial implications of the Covid-19 pandemic. That report will also be considered by Full Council in September, as some of the decisions are constitutionally required to be made by Full Council. In a number of areas this report reflects what was included in that report, however there are some areas of difference. There is no forecast included in this report for the impact on the Council's leisure contract, as that is an element that requires a decision by Full Council and the values involved are commercially confidential. In some cases the forecast has been adjusted in light of more recent data, while there are some areas where the assumed duration of impact contained within this report is shorter than that detailed within the Covid-19 report. This is in areas where the impact is highly uncertain and is to avoid significant variations in individual budgets throughout the year. The commentary in table 3 highlights these differences.

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 (2021/22) budget:

Table 3 - Summary of significant variances

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Investment Interest Income	(300)	(185)	+115	Interest income returns on treasury investments have fallen significantly since the Bank of England Monetary Policy Committee decision to reduce the Bank Rate twice in March: initially from 0.75% to 0.25% on 11th March and then again to 0.1% on 19th March. This variance is a consequence of the Covid-19 pandemic and this forecast is in line with what was included in the Covid-19 impacts report.	0	0
Apprenticeship Scheme	114	103	(11)	Three 18-month apprentice posts are being funded in 2020/21 from the carry forward of unspent budget in 19/20. The £11k carry forward requested is to fund the period of the contracts falling in 2021/22.	11	0
Staff Payroll Costs – Pay Award 2020/21	0	95	+95	The assumption in the original budget estimates was a staff pay award for 20/21 of 2%. The final National Employer pay offer to Trade Unions in April was an increase to all salary points of 2.75%. The variance is therefore the additional resource required for the increase in pay	0	95

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
				over and above the original 2% estimate.		
Senior Management Tier 1 Restructure	474	380	(94)	The estimated net saving from the restructure of senior management approved by Full Council in April and implemented from 18 th July 2020.	0	(130)
Income from Hitchin Town Hall	(197)	(86)	+111	The closure of the Town Hall during the pandemic has resulted in no income generated in the first quarter of the year. The forecast outturn currently assumes that income levels will return to pre-pandemic levels in the second half of the year, as the confidence of the public increases and social distancing measures are further eased. The forecast in the Covid-19 impacts report assumed a longer recovery period and therefore an income shortfall of £154k.	0	0
Customers Directorate Staffing – Careline Service Overtime Costs	27	54	+27	Increase in expenditure is due to both a higher incidence of staff absence, in part due to COVID, and turnover in staff resulting in vacant posts, both of which have been covered through staff working overtime. The ongoing adjustment is to recognise the level of staff turnover apparent in recent years and the impact on overtime spend. The cost impact is particularly acute for Careline as a new member of staff requires training by an existing colleague, the hours of whom must then be backfilled either through overtime or the hiring of agency staff. The forecast in the Covid-19 impacts report assumed that £5k of this variance relates to Covid-19.	0	12
Outbound Mail	185	151	(34)	The renegotiation of the Outbound Mail contract, effective from 1st August 2020, has enabled the Council to realise further savings from the lower than originally estimated volumes of outbound post being processed by the contractor. The saving has been partially offset by an increase in Royal Mail charges. The ongoing saving is anticipated until the contract ends in November 2023.	0	(52)

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Land Charges Income	(164)	(122)	+42	Income in Quarter One was around half of that anticipated in the budget. While there has since been some increase in activity following the reopening of Estate Agents and the temporary reduction of stamp duty on residential properties from 8th July, the economic uncertainty caused by the pandemic is likely to mean that income levels will continue to fall short of the budget expectation. The forecast in the Covid-19 impacts report assumed a slightly longer recovery period and therefore an income shortfall of £60k.	0	0
Court Summons Income	(178)	(99)	+79	Statutory recovery action in relation to Council Tax & Business Rates has been suspended as part of the Council's response to the flu pandemic and therefore no court summons has been issued. Statutory recovery action is planned to recommence in September, but any court action will be dependent on court time being available. The 20/21 budget was reduced at Outturn 19/20 by £57k due to the closure of the court, hence the total impact on summons income from the pandemic is £136k. The forecast in the Covid-19 impacts report assumed a slightly shorter recovery period and therefore an income shortfall of £120k.	0	0
Benefit Overpayments Income	(488)	(325)	+163	Forecast income reduction is attributed to the ongoing transfer of working age benefit claimants to Universal Credit, which is administered by the DWP. Since October 2018 the Council has not accepted Housing Benefit claims from new working age claimants or from existing claimants whose circumstances have changed, as housing costs are now part of Universal Credit. The benefit caseload has since dropped by 28%, from 6,426 to 4,614, with the reduction in activity therefore helping to reduce the incidence and value of benefit overpayments. The apparent downturn in the economy and reduction in individual incomes, from associated job losses or furlough, has also contributed to reducing the occurrence of benefit overpayments and accelerated the migration to Universal Credit.	0	163

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
District Elections Expenditure	117	0	(117)	The District Elections that were due to take place in May 2020 have been postponed until May 2021 due to COVID-19. There is no budget provision for District Elections in 2021/22 as no elections were due to take place in the next financial year. It is therefore requested that this budget is carried forward.	117	0
Comingled Recycling - Haulage and Processing Costs	381	501	+121	Higher than anticipated tonnages, possibly due to more people working from home, have increased the amount of haulage and processing required in quarter one. In April and May there was an additional charge per tonne for the processing of materials as the contractor faced additional costs to implement social distancing at the processing plant. Prices received for the sale of materials have also been lower than estimated in the budget, the income from which reduces the charge for haulage and processing. Such is the uncertainty as to the level of expenditure in the remaining three quarters, at this stage the forecast variance reflects the impact on costs from activity in the first quarter only. The forecast in the Covid-19 impacts report assumed a much longer recovery period and therefore a variance of between £325k and £575k.	0	0
Commingled Recycling – Recycling Credits Income	(459)	(503)	(44)	The higher volume of comingled material collected for recycling in quarter one, and hence diverted from landfill, has increased the corresponding estimated total of recycling credit income eligible from Hertfordshire County Council.	0	0
Trade Residual Waste Income	(985)	(895)	+90	Trade waste customers cancelled the service during the lockdown due to closure. The forecast currently assumes that income will return to the pre-pandemic level in the second half of the year as more businesses reopen as lockdown measures ease. The forecast in the Covid-19 impacts report assumed a quicker recovery period (i.e. impact in Q1 only) and therefore a variance of £43k.	0	0
Garden Waste Service Income	(1,007)	(821)	+186	Collection of Garden Waste was suspended from the end of March to the 11th of May. To compensate households for the pause in service, the current subscription period has been extended by two months until the end of September.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
				This reduces the proportion of income from renewals and new subscriptions for the next twelve-month subscription service period commencing in October chargeable to the General Fund in 20/21. The forecast in the Covid-19 impacts report assumed the same impact.		
Fearnhill Sports Hall – Contribution to operational costs	38	20	(18)	The school has undertaken significant work on the sports hall in recent years, which has reduced the annual contribution required from the Council to the cost of maintenance and repairs at the facility.	0	(18)
Housing Services – Temporary Accommodation	6	75	+69	At the beginning of the COVID-19 lockdown, the government instructed local housing authorities to accommodate all rough sleepers and those at threat of rough sleeping. It also confirmed that dormitory night shelter arrangements were unsafe. As a result, the Council's use of hotels has increased drastically, resulting in a large increase in the cost of temporary accommodation provision. There are still placements into hotels most days and although repeated efforts are made to resettle residents into their own accommodation, it has become apparent this will not be a quick process. The forecast in the Covid-19 impacts report assumed a much longer recovery period and therefore a variance of £200k.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Car Parking Income						
Car Parking – Pay-As-You-Use Income	(1,936)	(1,527)	+409	The impact of the response to Covid-19 resulted in a major fall in parking income in the first quarter. The introduction of the lockdown, which forced most shops to shut and encouraged the public to stay at home, saw car parks and streets empty. During this time the Council also offered free parking to key workers.	0	0
Car Parking – Season Ticket Income	(310)	(236)	+74	The government furlough scheme and more businesses facilitating homeworking in response to the pandemic have contributed to the apparent reduction in the demand for car park season tickets.	0	0
Car Parking - PCN Income	(573)	(472)	+101	To protect staff and support residents during lock-down, during April and May PCNs were only issued in relation to unsafe parking and blue badge bay infringements. During early June reminders were put on vehicles that they should be paying for parking, and PCNs were issued as normal from 22nd June.	0	0
Total:	(2,819)	(2,235)	+584	The total of the significant parking impacts above is £584k. The forecast in the Covid-19 impacts report assumed a gradual recovery period and therefore a variance of up to £1.37m.	0	0
Resources Directorate Staffing Costs – Human Resources	339	314	(25)	Net saving anticipated from the reorganisation of the Human Resources Team following the deletion of the Corporate HR Manager post in September.	0	(50)
Insurance Premiums	175	188	+13	There have been increases across a number of policy renewals, indicative of both the general climate in the insurance market and the fact that there were a couple of substantial claims relating to Development Control submitted in the past year.	0	18
Covid-19 Community Grants Expenditure	0	150	150	The Council has developed a protocol for providing funding to community groups that are helping to mitigate the impact of Covid-19 on residents. The funding for this is coming from the Special Reserve. The overall focus is on provision of food and essentials, mental health support and domestic abuse support. This is an estimate of how much funding will be awarded and is in line with what was included within the Covid-19 impacts report.	0	0
Contribution from Special Reserve	0	(150)	(150)		0	0
Total of explained	(4,741)	(3,390)	+1,351		128	38

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
variances						
Other minor balances	20,567	20,684	+117		0	20
Overall Total	15,826	17,294	+1,468		128	58

- 8.2. Cabinet are asked to approve the differences highlighted in the table above (a £1.468million increase in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to note the estimated impact on the 2021/22 budget (£186k increase in budget, which includes the request to carry forward £128k of budget from 2020/21 to 2021/22), which will be incorporated in to the 2021/22 budget setting process (recommendation 2.3).
- 8.3. The Council originally tendered the contract for Hitchin Market in 2008. Hitchin Markets Ltd (HML) were successful and have operated the contract since 1 August 2008. The contract has since been extended several times, with the current two-year extension expiring on 31 July 2020. Under the terms of the contract, HML are required to pay the Council a monthly management fee of £2,180. However, due to increasing financial difficulty attributed to a shift in shopping habits, a change in demand and a lack of new traders, HML have not paid the management fee since October 2019. The Council has since worked closely with the team at HML to overcome this period of financial difficulty, which was then exacerbated by the impact of Covid-19 and the closure of the market from 24th March to 2nd June 2020. While negotiations are ongoing with HML as to future management arrangements for Hitchin Market, it is requested that Cabinet approve the write-off of the invoiced debt accumulated to this point, a total of £17,442.64 for the period to May 2020 inclusive (recommendation 2.4), as it is considered that there is no prospect of collecting the amount owed.
- 8.4. While the write-off of debt raised is not charged directly to the General Fund, it does impact the calculation of the contribution required from the General Fund to the bad debt provision. In accordance with Council policy, a contribution to the bad debt provision was made from the General Fund in 2019/20 in respect of those HML invoices that remained unpaid after more than three months since being raised. At 31 March 2020 this applied to the monthly invoices for the period October to December 2019. This provision, of approximately £2k, therefore reduces the impact on the General Fund of the write-off requested in 2020/21 to around £15.5k. The forecast contribution to the bad debt provision has therefore been increased by the same amount accordingly, while the forecast income from the market has also been reduced by £4.4k for the period June-July 2020, as income invoices for the two months are not anticipated to be raised. Both adjustments are included in the 'other minor variances' total in table 3 above. The forecast for the remainder of the year and the ongoing income expectation from the market will be updated when management arrangements for the period beyond July 2020 are finalised and approved.
- 8.5. The original approved budget for 2020/21 (and therefore working budget) included efficiencies totalling £651k, which were agreed by Council in February 2020. 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 it is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The current forecast at the end of Quarter One is an underachievement of £115k. This relates to the additional investment interest income that is now forecast not to be achieved, as highlighted in table 3 above.

- 8.6. The working budget for 2020/21 includes budgets totalling £679k 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 2019/20 but was delayed into 2020/21. At quarter one, it is forecast that £11k of the total carried forward will not be spent in 2020/21. As highlighted in table 3 above, £11k of the amount carried forward in respect of the Apprenticeship Scheme will not be spent in 2020/21 and is requested to be carried forward again to fund the remaining costs in the next financial year of three 18-month apprentice posts that commenced around December 2019.
- 8.7. There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 4 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 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 one of the indicators is amber and three are red. Explanations for the three red indicators are included in table 3 above.
- 8.8. The amber indicator in relation to income from planning applications is to highlight that, while overall cash receipts have to date been in line with the budget expectation, the prevailing wider economic downturn may precipitate a reduction in planning activity in the remaining three quarters of the year. As such there is a risk that the income budget will not be achieved. This was highlighted in the Covid-19 financial impacts report where it was estimated that the shortfall would be around £230k.

Table 4 - Corporate financial health indicators

Indicator	Status	Original Budget	Actual to Date	Projected Outturn	Projected Variance
		£k	£k	£k	£k
Planning Application Fees (including fees for pre-application advice)	Amber	(950)	(559)	(950)	0
Land Charges	Red	(164)	(19)	(122)	42
Car Parking Fees	Red	(1,936)	(63)	(1,527)	409
Parking Penalty Charge Notices	Red	(573)	(33)	(471)	102

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 2020 of the amount of New Homes Bonus it could expect to receive in 2020/21 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 2019/20 there was a deficit on the NHDC share of the Council Tax Collection Fund of £82k and a surplus on the Business Rates Collection Fund of £365k.
- 8.11. Statute requires that Collection Fund income amounts chargeable to the General Fund in 2020/21 are those estimates prepared around the time of setting the budget for the year. The projected funding outturn in table 5 below has therefore been updated for the Council's estimate of Business Rates income in 20/21, as declared to central government in January. This has increased the funding total by £111k, as the budget expectation was based on the Council's business rates funding baseline need, as published annually by central government in the Local Government Finance Settlement, which is approximately the minimum that the Council can expect to retain.
- 8.12. Table 5 also includes the repayment in this financial year of both the estimated Business Rates Collection Fund deficit for 2019/20 of £293k and the £55k deficit anticipated on the Council Tax Collection Fund. As detailed and explained in the Revenue Outturn 2019/20 report, the difference between these estimated amounts and the final position at the end of 2019/20 (as noted in paragraph 8.8 above) will be incorporated in the calculation of the respective surplus/deficit position for 2020/21 and will therefore affect funding estimates for 2021/22.
- 8.13. In 2020/21 NHDC 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, as has been the case in prior years. In 2018/19 the Council benefited from a pooling gain of £368k. Council approved in February the release of this pooling gain to the General Fund in 2020/21 and this is included in the funding total in table 5. Original estimates indicated a total pooling gain of £4.3m for the Hertfordshire Business Rates Pool in 2020/21, with NHDC calculated to benefit from a saving of around £700k, reducing the estimated levy from £1.1m (if outside the pool) to an estimated pool contribution required of £0.4m..
- 8.14. The amount of any levy payable is however dependent on the actual value of business rates collected in the year after adjusting for business rate reliefs, which are directly compensated for via grant from central government. The impact of the flu pandemic and the associated wider economic downturn means that there are a range of potential outcomes for pool member authorities in terms of the respective contribution required to the pool to meet the total levy payable, dependent on the incidence and severity of the reduction in rates income collected due to business closures. In the worst-case scenario, the reduction in rates collected means a 'pooling loss' is incurred, with the required contribution to the Pool meaning that the Council ultimately retains less business rates income than if it had remained outside of the pool.

In any case however, the Council's contribution to the pool in 2020/21 will be funded from grant held in reserve, and as such will have a net zero impact on the General Fund balance at the end of the year.

- 8.15. As mentioned above, 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. In March this year, NHDC received a grant allocation of £2.218m for reliefs in 2020/21. Further receipts of £8.418m are now anticipated following the additional reliefs introduced by government in response to the COVID-19 pandemic. We are holding the grant received in a reserve to fund the repayment of future deficits recorded. Some of the amount held in reserve will be used in 20/21 to fund the repayment to the Collection Fund of the estimated deficit for 2019/20, as shown in table 5.
- 8.16. The Council has received non-ringfenced grant funding in 2020/21 from Government of £1.502m in relation to the Covid-19 pandemic. Government has also announced (but not yet provided details of) an income guarantee. Some further details of this were provided in the Covid-19 impacts report, and an assumption that (depending on forecasts) the Council could receive up to £2m of financial support from this guarantee. Due to the varying periods that the impacts of Covid-19 assumed in table 3 above, it would understate the potential overall impact to show all the grant being applied at this stage. The total net General Fund impact detailed in table 3 above relating to Covid-19 impacts is £1.565m. The forecast net General Fund impact in the Covid-19 impacts report was around £1.158m. It would therefore seem appropriate to show £407k (£1.565m less £1.158m) of the grant funding received being applied. This brings the total impact roughly in line with what was included in the Covid-19 impacts report. This is shown in table 5 below.
- 8.17. Table 5 below summarises the impact on the General Fund balance of the position at Quarter One detailed in this report.

Table 5 – General Fund impact

	Working Budget	Projected Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2020)	(9,378)	(9,378)	-
Net Expenditure	15,826	17,294	1,468
Funding (Council Tax, Business Rates, NHB)	(15,465)	(15,576)	(111)
Contribution to Funding Equalisation Reserve	329	329	0
Contribution to Collection Fund	294	294	0
Funding from Reserves (including Business Rate Relief Grant)	(294)	(294)	0
Application of Covid-19 un-ringfenced grant funding	0	(407)	(407)
Carried Forward balance (31st March 2020)	(8,688)	(7,738)	950

8.18. 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 £1,351k, and by the end of quarter one a total of £189k has come to fruition. The identified risks realised in the first quarter relate to;

- Recycling services. Increase in net cost due to the increased cost of haulage and processing of commingled recycling collected (as highlighted in table 3 above) - £120k.
- Usage of bed and breakfast accommodation for homeless households (as highlighted in table 3 above) - £69k.

Table 7 – Known financial risks

	£'000
Original allowance for known financial risks	1,351
Known financial risks realised in Quarter 1	(189)
Remaining allowance for known financial risks	1,162

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.

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. 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. None.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1. None.