CABINET
16 MARCH 2020

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: THIRD QUARTER REVENUE MONITORING 2020/21

REPORT OF THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: 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 third quarter. The forecast variance is a £624k increase on the net working budget of £19.621million, with an ongoing impact in future years of a £79k decrease and requests to carry forward budgets totalling £62k 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. The net General Fund variance movement is expected to be covered by an increase in the Sales, Fees and Charges compensation from Government that has been applied.

1.2. The report also provides an update on;
- the delivery of planned efficiencies (paragraph 8.3)
- the use of budget approved to be carried forward from 2019/20 (paragraph 8.4)
- performance against the four key corporate 'financial health' indicators (paras 8.5-8.7)
- the overall forecast funding position for the Council and factors that may affect this (paras 8.8 – 8.22)
- the support payments made to businesses and those individuals required to self-isolate due to the Covid-19 pandemic (paragraph 8.23)

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 £624k increase in net expenditure. Noting that this net movement is expected to be covered by an increase in the Sales, Fees and Charges compensation from Government that has been applied.

2.3. That Cabinet approves the changes to the 2021/22 General Fund budget, as identified in table 3 and paragraph 8.2, a total £17k decrease in net expenditure.

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 February 2021.

7. BACKGROUND

7.1. Council approved the revenue budget for 2020/21 of £15.136million in February 2020. As at quarter 3 the working budget has increased to £19.621million. 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
Quarter 1 2020/21 Revenue Monitoring report - 2020/21 variances approved by Cabinet (September 2020)	1,468
Quarter 2 2020/21 Revenue Monitoring report - 2020/21 variances approved by Cabinet (December 2020)	2,036
Month 8 revenue monitoring included within 2021/22 budget report – 2020/21 variances approved by Cabinet (January 2021)	291
Current Working Budget	**19,621**

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 budget allocations published in the Quarter Two monitoring report.

Table 2 – Service Directorate Budget Allocations

Service Directorate	Working Budget at Q2 £k	Changes approved at Q2 £k	Changes approved at Month 8 £k	Other Budget Transfers £k	Current Net Direct Working Budget £k
Managing Director	1,893	0	0	(27)	1,866
Commercialisation	(273)	(8)	25	42	(214)
Customers	4,019	168	58	73	4,318
Legal & Community	2,257	(63)	(13)	12	2,193
Place	4,848	1,852	442	13	7,155
Regulatory Services	2,066	49	(206)	(83)	1,826
Resources	2,484	38	(15)	(30)	2,477
TOTAL	**17,294**	**2,036**	**291**	**0**	**19,621**

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
Court Summons Income	40	0	+40	The forecast zero income outturn follows the decision taken, in consultation with the Executive Member for Finance & IT, to cancel the court dates in February and March. This decision was in adherence with the requirement for no non-essential travel during the period of national lockdown, with most other Herts Authorities taking the same approach.	0	0
DWP New Burdens Grant				Additional New Burdens grant funding of £297k has been received for various Covid-19 grant schemes that the Council has administered. While £27k has been used to fund the related overtime and systems development costs, most of the resource required has been met from existing staffing budgets. It is proposed that £170k of the funding is transferred to the Welfare Reform grants reserve to finance future spending pressures in this area.		
Grant Income	(205)	(475)	(270)		0	0
Transfer to Earmarked Reserve	0	170	+170		0	0
Net Total	**(205)**	**(305)**	**(100)**		**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
Brexit Grant Funded Expenditure	52	10	(42)	A carry forward of the remaining £42k of the Brexit grant funding is requested, of which £10k is committed to funding a three-year subscription to RIAMS Environmental Health software. We are still in the early stages of post EU transition/ exit from the EU and options for planned expenditure of the remaining £32k budget will be explored at the Project Board meeting scheduled in April. This will be the discussion stage and any action will need to be taken forward in 2021/22 and potentially covers work with the local business community and impacts on them of this initial phase and/or in the medium term.	42	0
Garden Waste Service Expenditure	409	472	+63	Forecast increase in costs results from**;** the outcome of reconciliation work undertaken to ensure the final sum payable to the contractor for the previous subscription period was in line with the contractual requirement**;** additional resource needed at the start of the new subscription period to ensure that back office administration and customer contact management could be completed accordingly**;** the one-off payment made to the contractor to support the reintroduction of the garden waste service after the first lockdown.	0	+53
Garden Waste Service Income	(821)	(954)	(133)	Increase in income expectation reflects the sustained level of demand for the service, with a similar number of households signing up to the new subscription period that commenced in October 2020.	0	(133)
Comingled Recycling - Haulage and Processing Costs	654	811	+157	The trend of higher than anticipated tonnages and lower sales prices for materials, as evident and highlighted in the first and second quarter monitoring reports, continued during the third quarter, with total costs now forecast to be £431k higher than anticipated in the original budget. The higher tonnages are considered to be an impact of the pandemic, as more people work from home and receive deliveries ordered online.	0	0
Trade Refuse Service Tipping Charges	318	286	(32)	The tipping charges reflect the reduced tonnages collected during the first three quarters of the year with reduced business operation.	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
Trade Refuse Service Income	(895)	(863)	+32	The pandemic has continued to impact on the number of trade customers using the service, with many non-essential businesses closed either during national lockdowns or when tier restrictions were in place.	0	0
Regulatory Directorate Staffing Costs	3,481	3,347	(134)	Forecast staffing underspend is due to various vacant posts in Planning, Environmental Health and Parking Services. A combination of the delayed progress in the local plan, recruitment difficulties due to Covid-19 and several resignations in critical areas has led to the underspend. Recruitment to Parking Services vacancies has been deferred due to a reduced level of enforcement during lockdown.	0	0
Income from Planning Applications	(940)	(810)	+130	Underachievement of income is attributed to the economic impact of Covid-19 and the delay in the progress of the Local Plan. This area of income is covered by the Income Guarantee (see paragraph 8.18) and therefore the additional General Fund impact will be reduced to around £33k.	0	0
Planning Services Development Budget	34	0	(34)	This expenditure budget is funded from the 20% increase in statutory planning fees applied from January 2018. Ongoing this budget will be used to fund a Project Officer post for the next 5 years. This year, due to vacancies in planning, the impact of Covid-19 and the delay to the Local Plan, there has been no need to recruit the additional officer to assist in the delivery of the Local Plan.	0	0
Car Parking Income Pay-As-You-Use Income	(1,380)	(848)	+532	As highlighted throughout the year, parking activity has been severely impacted by the Covid-19 pandemic, with people and businesses changing their normal routines and activities in response. An income shortfall of £216k was recorded for the third quarter due to the lockdowns in November and December. The forecast variance also includes the projected income loss for the final quarter. This assumes income receipts to be around 20% of the budgeted amount in January and February, with some recovery in March (assumes income at 60% of budget), which is based on the experience in July and the easing of restrictions after the first lockdown. It is	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
				anticipated that use of the car parks may increase in March with the reopening of schools and the progress of the national vaccination program facilitating the easing of restrictions and the reopening of shops. A total shortfall from this income stream of more than £1m is now estimated for this financial year.		
Car Park Season Ticket Income	(188)	(147)	+41	Forecast variance reflects the experience of the third quarter only, with the lockdown in November again requiring employees to work from home where possible and hence contributing to the lower demand for season tickets. Most season tickets are renewed in March, and at this stage it is unknown whether, even with lockdown measures easing, there will be reduced demand as more businesses choose to adopt home working routines on a permanent basis.	0	0
PCN Income	(471)	(343)	+128	There was a shortfall of £41k in PCN income for the third quarter. This is due to reduced traffic during lockdown, reduced use of car parks as people were encouraged to stay at home except for essential trips, adopting a more pragmatic approach to enforcement during the lockdown period and a reduced level of staff within the Parking Enforcement Team due to officers leaving the authority. The forecast variance includes the projection for the final quarter, which assumes receipts will total around two thirds of the budget expectation, with the assumed level of activity linked to the anticipated level of car park usage. This would mean a total PCN Income shortfall for the year of £230k. These areas of income are covered by the Income Guarantee (see paragraph 8.18) and therefore the additional General Fund impact will be reduced to around £175k.	0	0
Total Parking Income:	**(2,039)**	**(1,338)**	**+701**		**0**	**0**
Electric Vehicle Charging Consultants	20	0	(20)	This budget was an investment bid to engage consultants to undertake a study to review and consider opportunities from Electric Vehicle Charging. Officers prepared a Scoping Document and work will continue in 21/22. The requested carry forward of the remaining unspent budget will fund any specialist advice required.	20	0
Total of explained variances	**28**	**656**	**+628**		**62**	**(80)**

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Other minor balances	19,593	19,589	(4)		0	1
Overall Total	**19,621**	**20,245**	**+624**		**62**	**(79)**

8.2. Cabinet are asked to approve the differences highlighted in the table above (a £624k increase in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to approve the estimated impact on the 2021/22 budget, an overall decrease in budget of £17k, which includes the request to carry forward £62k of budget from 2020/21 to 2021/22 (recommendation 2.3).

8.3. 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 Three is a total underachievement of £146k. This forecast comprises:

- £115k underachievement of treasury investment income (as highlighted at quarter 1)
- £56k underachievement of the Town Lodge premises cost saving (as reported at quarter 2).
- £25k overachievement of the Document Centre closure saving, with the cost of the related Outbound Mail contract being £34k lower than assumed in the efficiency proposal (as highlighted at Quarter One), marginally offset by an estimated £9k increase in postage costs in 2020/21, which has been managed within the existing working budget.

8.4. 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 Two it was forecast that £11k of the total carried forward would not be spent in 2020/21. At Quarter Three it is forecast that £222k will not be spent in 2020/21. The increase in the forecast relates to Brexit Grant expenditure (£42k of the £52k budget carried forward will not be spent in 2020/21) as detailed in table 3 above, as well as those unspent budget amounts highlighted and explained in the End of November (month 8) monitoring included within the 2021/22 Budget Report, which are listed below;

- Parking Lines and Signs. £20k (of the £46k budget carried forward).
- Electric Vehicle Charging. £15k.
- Community Infrastructure Levy. £87k.
- Transport User Forum, £47k (of the £50k carry forward budget).

All the budget forecast not to be spent in 2020/21 has been requested to be carried forward again into the next financial year 2021/22.

8.5. 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. At Quarter 2 three of the indicators were red and one was amber. Currently all the indicators are red.

8.6. The red indicators for Land Charges, Car Parking Fees and Parking Penalty Charge Notices income were initially highlighted and explained at Quarter One. The further reduction in income from parking penalty charge notices estimated at Quarter Three is itemised and explained in Table 3 above. A further reduction in projected parking fees income was highlighted at Quarter Two and the forecast outturn has reduced again at the end of Quarter Three, as detailed in table 3 above. While the projected income outturn from land charges has improved marginally from the Quarter One estimate, which has allowed a corresponding cost pressure to be absorbed rather than a variance being reported, a shortfall is still expected.

8.7. The red indicator in relation to income from planning applications is to highlight that cash receipts at the end of Quarter Three continue to be below the budget expectation and a shortfall on the income budget is now anticipated, as explained in table 3 above. The 'actual to date' total, which currently exceeds the projected outturn, includes the accounting adjustment posted in the last financial year to ensure the income total for 2019/20 only reflected planning applications resolved in the year, in accordance with accounting policy. An equivalent adjustment will be posted at year-end 2020/21, which will reduce the income outturn recorded for 2020/21.

Table 4 - Corporate financial health indicators

Indicator	Status	Original Budget £k	Actual to Date £k	Projected Outturn £k	Projected Variance £k
Planning Application Fees (including fees for pre-application advice)	Red	(950)	(939)	(810)	140
Land Charges	Red	(164)	(105)	(136)	28
Car Parking Fees	Red	(1,936)	(693)	(848)	1,088
Parking Penalty Charge Notices	Red	(573)	(296)	(343)	230

FUNDING, RISK AND GENERAL FUND BALANCE

8.8. 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.

8.9. 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. At the end of the third quarter, there is forecast to be a deficit on the NHDC share of the Council Tax Collection Fund of £186k and an estimated deficit on the Business Rates Collection Fund of around £8.75million. As statute requires that Collection Fund income amounts chargeable to the General Fund in 2020/21 must be those estimates prepared around the time of setting the budget for the year, the forecast deficits do not impact the funding total or the projected general fund balance shown in table 6. The repayment of the deficits will instead affect the funding position for future years.

8.10. As highlighted in the Revenue Budget Report 2021/22, the forecast deficit on the Council Tax Collection Fund will be subject to the 'Local Tax Income Guarantee' for 2020/21. This measure, in response to the impact of the Covid-19 Emergency on Local Government finances, was announced by the Government alongside the Provisional Finance Settlement for 2021/22 in December. The Government has pledged to compensate Councils for up to 75% of irretrievable Collection Fund losses occurring in this financial year. This will be received in the form of a grant that will be accounted for in 2020/21, with the cash receipt most likely to be received in 2021/22. Based on the current Council Tax Collection Fund forecast and the technical information published for calculating the value of eligible compensation, the Income Guarantee in respect of Council Tax is expected to benefit the Council's General Fund in 2020/21 by £150k (as shown in table 6 below). This is an increase of £29k on the £121k initial estimate included in the Revenue Budget Report 2021/22. The actual value will however not be known until after the accounts for 2020/21 are finalised.

8.11. It was also explained in the Revenue Budget Report 2021/22 that, as a further response to the Covid-19 pandemic, the Government has legislated that the repayment of Collection Fund deficits for 2020/21 be spread over three years from 2021/22, rather than full repayment in 2021/22 as would have been required under the previous legislation. The estimated impact on available Council Tax funding over the next three years from this measure was included in the budget estimates published in the Revenue Budget Report 2021/22, with a contribution of £77k to the Collection Fund required in 2021/22.

8.12. The forecast deficit on the Business Rates Collection Fund is primarily due to the additional business rate reliefs introduced by government in response to the COVID-19 pandemic. 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 expects to receive total compensation of £10.877m for reliefs in 2020/21, which includes £9.193m for the additional reliefs introduced by government in response to the COVID-19 pandemic. The Council holds the grant received in a reserve to fund the repayment in future years of 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 deficit originally estimated for 2019/20, as shown in table 6.

8.13. The Business Rates Collection Fund deficit for 2020/21 after adjusting for business rate reliefs, currently estimated to be approx. £1.25m (£8.75m total deficit less £7.5m relating to additional reliefs), is also subject to the 'Local Tax Income Guarantee' for 2020/21. Based on current estimates, the Guarantee would currently equate to around an additional £935k of compensation in this year. The actual income value will however not be known until after the Collection Fund accounts for 2020/21 are finalised and the relevant business rates return to Government is submitted. The eligible income amount calculated at year-end will be transferred to the Grant reserve and used to fund the repayment of the deficit next year.

8.14. As noted above, the repayment of Collection Fund deficits for 2020/21 will be spread over three years from 2021/22. In respect of the Business Rates Collection Fund, the element of the deficit relating to the additional reliefs, currently estimated for NHDC to be around £7.5m, is still required to be repaid in full in the following financial year. The repayment of the remainder of the estimated deficit, totalling approximately £1.25m, will be spread over three years from 2021/22, with the relevant amount (£416k) included in each calculation of the surplus/ deficit recorded for the two subsequent financial years. A contribution from the General Fund to the Business Rates Collection Fund of £7.9m (total of £7.5m and £416k) is therefore required in the next financial year for the estimated deficit in this year. This will be funded from the grant held in reserve.

8.15. 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 6. 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.

8.16. The amount of levy payable for 20/21 and any pooling gain will be dependent on the actual value of business rates collected in the year after adjusting for business rate reliefs (which are directly compensated for via the grant from central government) and provisions for appeals and amounts that will not be collected. The Council will need to make a prudent estimate of what those provisions should be. This could reduce the pooling gain in the current year, but will help to avoid having to fund the deficit in future years. As the Pool Lead, Hertfordshire County Council is responsible for collating forecast estimates from each of the pooling authorities in order to gain an indication of the overall position for the pool and the levy implication for member authorities. The impact of the Covid-19 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.

8.17. The Council has received non-ringfenced emergency grant funding in 2020/21 from Government of £1.602m in relation to the Covid-19 pandemic. The Council has also received and is due to receive various streams of specific funding. This includes New Burdens Funding for Covid Grants administration which, as highlighted and explained in table 3 above, has made a net contribution to the General Fund. For other areas of specific funding, it is assumed that these have, or will be, spent on the specific purpose for which they have been allocated and therefore will have a net zero General Fund impact.

8.18. MHCLG has invited Local Authorities to apply for compensation for loss of sales, fees and charges income due to the impact of Covid, referred to previously as the 'Income Guarantee'. The Council's successful claim submitted for the period April to the end of July amounted to £680k. A further claim, amounting to £600k, has since been submitted for the period August to the end of November, bringing the total compensation sought for the period to £1.280million. After incorporating the anticipated impact of the third national lockdown on parking income in the final quarter of the year, as detailed in table 3 above, the full year forecast indicates total income compensation increasing from £1.5million, as estimated at Quarter Two, to around £1.85million. This will however depend on actual income levels achieved in the final months of the financial year.

8.19. As at the end of Quarter Two the total net General Fund impact related to Covid-19 impacts reported was £3.841m, as broken down in table 5 of the Quarter Two Revenue monitoring report. The total net General Fund impact relating to Covid-19 impacts highlighted in the November monitoring within the 2021/22 Revenue Budget Report was an additional £481k, while the net total detailed in this report is a further £675k (including the new burdens funding contribution of £270k). This means an overall total impact of £4.997million. Table 5 below shows the break down by budget area, and how it compares to the estimated full-year impact, which was reported to MHCLG in the latest impacts return (26th February 2021).

Table 5 – COVID Financial Impact on General Fund

Budget Area	Total Reported as at Q2 £k	Reported at November £k	Reported at Q3 £k	Total reported to date £k	Expected to be covered by Income guarantee	Full-year estimate £k	Reason for difference
Leisure Centres	1,800	420	0	2,220	Part	2,220	General Fund net impact assumes £230k Government Leisure Recovery Fund contribution.
Parking	779	0	701	1,480	Yes	1,530	Uncertainty over season ticket income in final quarter
Recycling Processing and materials	274	0	157	431	No	431	-
Garden Waste	186	0	(70)	116	No	116	-
Homeless Accommodation	160	0	0	160	No	160	-
Investment Income	115	0	0	115	No	115	-
HTH/ Museum Income	118	0	0	118	Yes	118	-
Trade Waste	90	0	0	90	Yes	93	-

Court Summons Income	79	61	40	180	No	237	Difference due to current year budget adjustment requested in 2019/20 revenue outturn report.
Land Charges	42	0	(13)	29	Yes	19	Demand recovering to normal levels
Careline fall response	30	0	0	30	No	30	-
Careline over-time	27	0	0	27	No	4	Only part due to Covid-19, the remainder is due to other factors
Planning	0	0	130	130	Yes	130	-
Support Grants	0	0	0	0	No	150	Net nil General Fund impact as covered from Special Reserve.
Other	141	0	0	141	Part	164	Full year estimate includes minor value impacts that have not been itemised in reporting.
Total	**3,841**	**481**	**945**	**5,267**		**5,517**	
	Less: non-ringfenced grant funding					(1,602)	
	Less: estimated Sales, Fees and Charges compensation income					(1,850)	
	Less: New Burdens Funding					(270)	
	Less: Funding from Special Reserve					(150)	
	Net General Fund impact					**1,645**	

8.20. As shown in table 5 above, the estimated overall net impact is around £1.645m. It is necessary to apply a proportion of the grants and compensation received to come back to this overall impact as, if the whole estimated grant and compensation was applied, this would understate the estimated year end position. Therefore £3.3521m (£4.997m less £1.645m) has been shown in table 6 below (split between un-ringfenced grant and income compensation).

8.21. Table 6 below summarises the impact on the General Fund balance of the position at Quarter Three detailed in this report.

Table 6 – General Fund impact

	Working Budget **£k**	**Projected Outturn** **£k**	**Difference** **£k**
Brought Forward balance (1st April 2020)	**(9,378)**	**(9,378)**	**-**
Net Expenditure	19,621	20,245	624
Funding (Council Tax, Business Rates, NHB)	(15,576)	(15,576)	0
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
Covid-19 un-ringfenced government grant funding	(1,602)	(1,602)	0
Applied Government Compensation for Covid-19 related income losses (to balance to £3.352m)	(665)	(1,750)	(1,085)
2020/21 Council Tax Guarantee Income	(121)	(150)	(29)
Carried Forward balance (31st March 2021)	**(7,392)**	**(7,882)**	**(490)**

8.22. 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 three a total of £837k has come to fruition. The identified risks realised in the third quarter relate to

- Hitchin Market. Cost neutral arrangements approved for the management of Hitchin Market mean a lower financial return to the Council, as reported in the November Monitoring within the budget report 2021/22 - £24k.

- Recycling services. Increase in net cost due to reducing volumes of paper collected for recycling (£44k - as highlighted in November monitoring) and the increased cost of haulage and processing of commingled recycling collected (£157k - as itemised in table 3 above) - £201k.

- Grounds Maintenance. Reduction in income from third party agency agreements for contracted grounds works following contractual dispute with settle (as reported in November monitoring) - £28k

- Housing services. Legal costs incurred following a challenge to a housing application decision (included within 'other minor variances' in November monitoring) - £21k.

- Planning Services. Lower than anticipated planning income due to the delay in progress of the Local Plan (as explained in table 3 above) - £130k

Table 7 – Known financial risks

	£'000
Original allowance for known financial risks	**1,351**
Known financial risks realised in Quarter 1	(189)
Known financial risks realised in Quarter 2	(244)
Known financial risks realised in Quarter 3	(404)
Remaining allowance for known financial risks	**514**

COVID-19: PAYMENTS TO BUSINESSES AND ISOLATING INDIVIDUALS

8.23. As part of the Government's economic support for Covid-19, the Council has been required to distribute a number of business grants. The Council has also been required to make self-isolation payments to individuals on low incomes. In both cases this has involved developing specific schemes (within the criteria set out by Government), setting up application processes, determining eligibility and making payments. The amounts that have been distributed (as at 14th February 2021) are detailed in table 8 below:

Table 8 – Covid-19 Financial Support to Businesses and Individuals

	Payments	
Support Schemes	**Number**	**Value (£)**
Small Business Grant Fund and Retail, Hospitality and Leisure Businesses Grant Fund (First National Lockdown)	2,224	27,745,000
Local Authority Discretionary Grant Fund (First National Lockdown)	221	1,455,600
Business Support Payments	661	4,800,449
Local Restrictions Support Grant (November 2020 National Lockdown)	724	1,187,648
Local Restrictions Support Grant (Hertfordshire in Tier 2)	388	268,218
Local Restrictions Support Grant (Hertfordshire in Tier 4)	641	626,949
Wet Pub Christmas Grants	66	66,000
Additional Restrictions Grant (National Lockdown commencing January 2021)	286	346,981
Total Payments to Businesses	**5,211***	**36,496,845**
Track & Trace Payments to Isolating Individuals	**271**	**135,500**

* Businesses will have received payment from more than one grant.

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.

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18. BACKGROUND PAPERS

18.1. None.