

**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: SECOND QUARTER REVENUE BUDGET MONITORING 2021/22**

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 forecasts for the financial year 2021/22, as at the end of the second quarter. The forecast variance is a £1.256m decrease on the net working budget of £19.361million, with an ongoing impact in future years of a £228k decrease and requests to carry forward budget totalling £160k to fund specific projects in 2022/23. The reduction in the forecast outturn to £18.105million primarily relates to a £1.1million reduction in the estimated additional financial support required by SLL to maintain operations at the Council's leisure centres. All other significant component variances are detailed and explained in table 3.

**2. RECOMMENDATIONS**

2.1. That Cabinet note this report.

2.2. That Cabinet approves the changes to the 2021/22 General Fund budget, as identified in table 3 and paragraph 8.2, a £1.256million decrease in net expenditure.

2.3. That Cabinet notes the changes to the 2022/23 General Fund budget, as identified in table 3 and paragraph 8.2, a total £68k decrease in net expenditure. These will be incorporated in the draft revenue budget for 2022/23.

**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 20<sup>th</sup> August 2021.

## 7. BACKGROUND

- 7.1. Council approved the revenue budget for 2021/22 of £18.441million in February 2021. As at the end of Quarter Two, the working budget has increased to £19.361million. Table 1 below details the approved changes to this budget to get to the current working budget:

**Table 1 - Current Working Budget**

	<b>£k</b>
Original 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
<b>Current Working Budget</b>	<b>19,361</b>

- 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 One monitoring report.

**Table 2 – Service Directorate Budget Allocations**

<b>Service Directorate</b>	<b>Working Budget at Q1</b>	<b>Changes approved at Q1</b>	<b>Other Budget Changes during Q1</b>	<b>Current Net Direct Working Budget</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Managing Director	2,234	96	(109)	2,221
Commercialisation	(267)	27	18	(222)
Customers	3,897	162	54	4,113
Legal & Community	2,232	11	31	2,274
Place	6,892	144	6	7,042
Regulatory Services	1,196	131	(3)	1,324
Resources	2,617	(11)	3	2,609
<b>TOTAL</b>	<b>18,801</b>	<b>560</b>	<b>0</b>	<b>19,361</b>

- 7.3. It was noted in the Quarter One report that the external audit of the Council's Final Accounts for 2020/21 was due to commence in November. At the time of writing this report, the audit has commenced but is not yet complete. Further changes to the General Fund balance may arise as a result of the audit.

## 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 columns detail if there is expected to be an impact on next year's (2022/23) budget:

**Table 3 - Summary of significant variances**

<b>Budget Area</b>	<b>Working Budget £k</b>	<b>Forecast Outturn £k</b>	<b>Variance £k</b>	<b>Reason for difference</b>	<b>Carry Forward Request £k</b>	<b>Estimated Impact on 2022/23 £k</b>
District Council Offices Second Floor Letting Income – Contribution to overheads and service charge	0	(63)	(63)	Forecast outturn represents the tenant's contribution towards the overhead costs of the building (primarily energy costs & business rates), which is based on the proportion of space occupied, as well as those costs directly associated with the second floor (e.g., cleaning costs). The tenant is also required to pay a service charge relating to the use of the communal areas and lifts at the DCO. The current year estimate includes eligible charges for the period of occupancy prior to April 2021.	0	(39)
Temporary Accommodation Net Cost	220	292	+72	The forecast outturn indicates the cost of nightly paid placements in hotels for homeless households. As most of the homeless households qualify for housing benefit, much of the additional cost to the Council relates to the estimated shortfall in Housing Benefit Subsidy, with housing benefit payments in respect of temporary accommodation not eligible for full reimbursement through the subsidy. In addition, the increase in demand for accommodation following the crisis in Afghanistan has led to the Council also having to use more expensive hotels, where the cost exceeds the housing benefit payment. Options to increase the supply of supported housing units are underway with specialist providers. While timescales are not yet certain, once in place hotel use should reduce significantly.	0	0
Housing Benefit Overpayments – Bad Debt Provision	300	0	(300)	The reduction in the estimated contribution required to the bad debt provision in 21/22 follows a much lower level of overpayments raised in 2020/21, as highlighted and explained in the Q1 revenue monitoring report 2020/21. The consequence is that the level of debt that has aged and now needs to be included in the provision calculation is significantly lower relative to previous years, which has contributed to a reduction in the overall provision required. Overpayments raised in this financial year are however exceeding 20/21 levels, as claimants' incomes return to pre-pandemic levels and benefit entitlement adjusts accordingly, so at this point no permanent adjustment to the budget estimate is recommended.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Legal & Community Directorate Staffing Costs	1,694	1,657	(37)	Underspend variance is due to several vacancies in Community Engagement and Electoral Registration service areas.	0	0
Net cost of May 2021 elections	67	28	(39)	The lower than budgeted net cost of administering the elections in May follows grant contributions received from both Hertfordshire County Council and central government. The total amount of grant income, which was provided to ensure all appropriate measures were identified and put in place to minimise the Covid-19 related risks from holding the elections, was ultimately greater than the additional costs incurred from implementation. This was partly due to the work that was undertaken by existing staff.	0	0
Brexit Grant funded expenditure	32	0	(32)	A carry forward of this budget is requested to fund an increase in the contracted weekly hours of the Procurement Officer post in Legal Services, from 18.5 to 37 hours in 2022/23, as described in the corresponding revenue investment proposal included in the draft budget for next year. The role will include working with local businesses and other Local Authorities on post Brexit procurement matters.	32	0
Fly Tipping	43	72	+29	Since the onset of the Covid-19 pandemic, there has been a significant rise in the number of fly tipping incidents. This was attributed to more people clearing out their properties whilst in lockdown or furloughed and either disposing of waste illegally or using waste carriers who ultimately disposed of waste illegally. The higher level of fly tipping activity has however continued during this year, despite promotion of the message warning against illegal dumping.	0	0
Paper Recycling						
Income from the sale of paper collected	(93)	(164)	(71)	Increase in sales income follows the start of a new contract, procured alongside the Hertfordshire Waste Consortium, in June. The sale price for paper achieved each month is now dependent on the market price which, while variable, has so far been significantly higher than the fixed price per tonne agreed under the previous contract. The decline however in the volume of paper collected each month continues, with the forecast amount of recycling credit income from Hertfordshire County Council adjusted to reflect current levels of paper collected.	0	(71)
Recycling credits income from Hertfordshire County Council	(90)	(72)	+18		0	18
<b>Net Total</b>	<b>(183)</b>	<b>(236)</b>	<b>(53)</b>		<b>0</b>	<b>(53)</b>

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Commingled Recycling - Recycling credits income from Hertfordshire County Council	(473)	(581)	(108)	While the volume of commingled recycling collected in this financial year is lower than the prior year, where tonnages peaked during lockdowns, tonnages remain higher than those recorded in the equivalent period prior to the Covid-19 pandemic. The higher recycling tonnages therefore increase the eligible amount of recycling credits income from HCC.	0	(108)
Leisure Centre management – additional finance support to Stevenage Leisure Limited (SLL)	1,183	81	(1,102)	In January Council approved additional budget of £2m to support SLL in maintaining operations at the Council's leisure centres, which included the waiver of £817k of management fee income due to the Council. Reduction in forecast financial support required is based on activity levels in the first half of the year and assumes no further Covid-19 related restrictions on operations in the second half of the year.	0	0
Regulatory Directorate Staffing Costs	3,710	3,637	(73)	Underspend reflects some turnover in staff with several retirements and resignations during the first half of the year. Posts were held vacant during the recruitment process and in some cases for an extended period while successful candidates observed contractual notice periods at their previous employer prior to commencing their new role at NHC.	0	0
Strategic Planning – Supplementary Planning Documents	167	67	(100)	At its meeting in March 2021 Cabinet approved the reallocation of existing approved revenue budgets for Community Infrastructure Levy (£87k carried forward from 2020/21) and the potential Single Issue Review of the Local Plan (£80k, of which £40k carried forward from 2020/21) to create a budget for the delivery of the work on a revised and updated programme of Supplementary Planning Documents. Progress in developing the programme of Supplementary Planning Documents has however been delayed due to the focus on masterplanning and the secondment of Strategic Planning staff to support Development Management. It is therefore requested to carry forward the forecast unspent budget of £100k to fund the progress of this work in 2022/23.	100	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Local Plan						
Expenditure	0	96	+96	Costs related to the Local Plan in this year include the inspector's costs for completing the final report and associated legal costs. The final total remains subject to the complexity of any issues raised in the Inspector's final report and the approval process. Additional costs in progressing the Local Plan were highlighted as a financial risk when the budget was approved by Council in February. The contribution of £39k from the Local Plan reserve represents the entire balance remaining in the reserve at the start of the year.	0	0
Contribution from earmarked reserve	0	(39)	(39)		0	0
<b>Net total</b>	<b>0</b>	<b>57</b>	<b>+57</b>		<b>0</b>	<b>0</b>
Planning Appeals	25	104	+79	Consultant and legal costs were incurred due to a public enquiry and a legal appeal respectively concerning planning application decisions made by the Council's Planning Committee. The total also includes costs awarded to the appellant of £43k.		
Development Control						
Pre-application planning advice income	(63)	(45)	+18	Forecast underachievement of pre-application income is due to developers going through the masterplanning process to agree the framework for development on large sites, rather than paying for pre application advice. In future in these circumstances there will be planning performance agreements (PPAs) in place, where landowners pay a fee for the service provided by the Council. While the income from PPAs is ultimately expected to offset a corresponding future reduction in pre-application income, the PPA's are still being worked on and the fees have yet to be agreed, hence the temporary loss of income anticipated in this year.	0	0
Planning Applications Income	(890)	(820)	+70		The delay in the adoption of the Local Plan has resulted in a delay in determining major applications for outline planning permission. Significant income will be achieved when follow up reserved matters applications are submitted, but until the outline permissions are granted this cannot happen. The Local Plan is expected to be adopted at some point during 2022.	0
<b>Total:</b>	<b>953</b>	<b>865</b>	<b>+88</b>		<b>0</b>	<b>0</b>

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Car Parking Fees Income	(1,873)	(1,585)	+288	Income recorded from ticket sales during Quarter 2 was approximately 80% of that anticipated in the budget, up from around 70% achieved during Quarter 1 when restrictions on social activities were in place. The forecast variance assumes that activity will remain at around 80-85% of the budget expectation for the rest of the financial year. While it is possible that the recovery will continue to strengthen and the level of income receipts increase above the forecast level, achieving the revised projection remains dependent on there being no further pandemic related restrictions imposed by government in the coming months.	0	0
Car Park Season Ticket Income	(256)	(165)	+91	While income from season ticket sales at the end of the second quarter surpassed the total recorded for the whole of 20/21, income receipts remain only slightly more than half that generated prior to the Covid-19 pandemic. The forecast outturn assumes that sales will remain at around current levels in the second half of the year. While the reduction in demand is attributed to the greater levels of home working adopted in response to the pandemic, at this stage it may also indicate that the change in work patterns and routines, initially adopted out of necessity, may continue on a more permanent basis.	0	0
Parking Lines & Signs maintenance	74	46	(28)	The majority of the £55k budget carried forward from 20/21 is expected to be spent, however not all the planned works will be completed due to the capacity of staff to manage the projects. The forecast unspent budget is therefore requested to be carried forward to fund the cost of those works that will now be completed in 2022/23.	28	0
<b>Total of explained variances</b>	<b>3,777</b>	<b>2,546</b>	<b>(1,231)</b>		<b>160</b>	<b>(200)</b>
Other minor balances	15,584	15,559	(25)		0	(28)
<b>Overall Total</b>	<b>19,361</b>	<b>18,105</b>	<b>(1,256)</b>		<b>160</b>	<b>(228)</b>

- 8.2. Cabinet are asked to approve the differences highlighted in the table above (a £1.256million decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to note the estimated impact on the 2022/23 budget (£68k decrease in budget, which includes the request to carry forward £160k of budget from 2021/22 to 2022/23), which will be incorporated in to the 2022/23 budget setting process (recommendation 2.3).
- 8.3. The original approved budget for 2021/22 (and therefore working budget) included efficiencies totalling £286k, which were agreed by Council in February 2021. 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 forecast at the end of Quarter One was that £307k of efficiencies would be delivered in 2021/22, an overachievement of £21k. At Quarter Two, the forecast is that £286k of efficiencies will be achieved in 2021/22. The £21k reduction in total forecast savings at Quarter Two relates to the additional £3k commercial rents income originally anticipated upon completion of the capital scheme for the replacement of Newark Close, Royston and the reduction in property management costs, as well as additional rent income, from the planned renovations at Thomas Bellamy house in Hitchin (£18k). As highlighted and explained in the Second Quarter Investment Strategy (Capital and Treasury combined) Review 2021/22 report, neither capital scheme will be completed in this year, hence the associated revenue savings will not materialise in this year. The revenue impact of the savings not being realised in this year has been absorbed by other offsetting variances.

- 8.4. 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 One, it was forecast that £51k of the total carried forward will not be spent in 2021/22. At Quarter Two it is forecast that £195k of the budget carried forward will not be spent in the current financial year. The £144k increase in forecast unspent budget comprises;
- £12k - Parking Lines and Signs - £12k of the £55k budget carried forward will not be spent in this year and is requested to be carried forward again to fund planned works in 2022/23.
  - £87k - Community Infrastructure Levy - As noted in table 3, the £87k budget carried forward for this purpose will instead now form part of financing the programme of supplementary planning documents to support the Local Plan.
  - £13k - Single Issue Local Plan – £13k of the £40k budget carried forward is forecast to be unspent. As noted in table 3, this carry forward budget was also reallocated to fund the preparation of updated supplementary planning documents. The unspent budget has been requested to be carried forward to form a total carry forward budget of £100k (£13k+£87k) to deliver the programme of work in 2022/23.
  - £32k – Brexit Grant funded expenditure - £32k of the £43k carried forward will not be spent in this financial year and has been requested to be carried forward in to 2022/23, as explained in table 3 above.
- 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.
- 8.6. At the end of Quarter One, three of the indicators were green and one of the indicators was red. At the end of Quarter Two, two of the indicators are green and two of the indicators are red. The additional red indicator at Quarter Two relates to planning application fees income, as highlighted in table 3 above. The further reduction in forecast car parking fees income is also itemised in table 3. The projected overachievement of Land Charges income is unchanged from that reported and explained at Quarter One.



**Table 4 - Corporate financial health indicators**

Indicator	Status	Original Budget	Actual to Date	Projected Outturn	Variance
		£k	£k	£k	£k
Planning Application Fees (including fees for pre-application advice)	Red	(953)	(768)	(865)	88
Land Charges	Green	(164)	(78)	(176)	(12)
Car Parking Fees	Red	(1,975)	(777)	(1,585)	390
Parking Penalty Charge Notices	Green	(573)	(286)	(573)	0

**FUNDING, RISK AND GENERAL FUND BALANCE**

- 8.7. 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.
- 8.8. 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 must make a contribution from the General Fund of £77k to the Council Tax Collection Fund and £7.9m to the Business Rates Collection Fund. These represent the estimated deficits for 2020/21 declared to government in January 2021. Both contributions are included in the calculation of the projected General Fund balance in table 6 below (the £77k Council Tax contribution is included in the estimated 'Funding' total).
- 8.9. At the end of the second quarter, there is forecast to be a small deficit on the NHDC share of the Council Tax Collection Fund of around £100k and an estimated deficit on the Business Rates Collection Fund of around £6.5million. The most significant components of the business rates deficit are; £2.5m relating to the difference between the January estimate and the 2020/21 final outturn, as explained in the Revenue Outturn report 2020/21; £4.2m due to the impact in the current financial year of business rate reliefs introduced in response to the Covid-19 pandemic (for which the Council receives equivalent compensating grant from government). These amounts have been slightly offset by the level of collectable business rates being marginally higher than anticipated when the estimate for 2021/22 was prepared in January. The forecast deficit amounts are however subject to movements in provisions for uncollected debt and appeals, the impact of which will not be known before the end of the year and are very difficult to predict at this stage. In any case neither of the Council Tax or Business Rates Collection Fund deficits forecast for 2021/22 will impact the 2021/22 funding total or the projected general fund balance shown in table 6. The repayment of the deficits will instead affect the funding position for 2022/23.
- 8.10. 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. NHDC expects to receive a grant allocation of £1.794m for non-Covid related reliefs in 2021/22, which includes an amount of £142k received as compensation for the Government's decision to freeze the business rates multiplier for 2021/22, as well as a further £4.2m for temporary rate reliefs introduced in response to the Covid-19 pandemic. The multiplier compensation is included in the funding total in table 6 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 will therefore be used to fund the £7.9m deficit repayment required in this year.

- 8.11. The Council is also subject to a business rates levy from Central Government as NHDC collects more in business rates than the baseline need determined by Central Government. In 2021/22 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. 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. The Council's contribution to the pool levy in 2021/22 will, in any case, be funded from the grant held in reserve and as such will have a net zero impact on the General Fund balance at the end of the year.
- 8.12. 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 covers to the end of the first quarter of 2021/22. The estimate prepared at Quarter One indicated a total eligible amount of £185k. This however assumed that the first 5% of annual losses in 2021/22 would have to be funded by the Council. In the event, however, the Council is required to finance the first 5% of the first quarter losses only. As a result, income compensation is now forecast to total around £300k.
- 8.13. 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, with additional expenditure provision of £2m included in the original revenue budget for 2021/22. Based on the experience of the first half of the financial year, the additional support required is now forecast to reduce from the budgeted total of £2m to a revised total of £0.9m. This reduction of £1.1m is included in the forecast outturn for 2021/22.
- 8.14. The original revenue budget was 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 5 below itemises those other service areas where the impact of Covid-19 in 2021/22 is significant and compares the relevant working budget changes recommended in this report and at Quarter One with the full year forecast declared to Government in the latest Covid-19 monitoring return.

**Table 5 – COVID-19 Financial Impact on General Fund**

Budget Area	Revenue Budget Impact reported at Q1	Revenue Budget Impact reported at Q2	Total Working Budget Adjustment 2021/22	Full Year Forecast Impact as reported to Government	Covered by Income guarantee *	Estimated Sales, Fees and Charges (SFC) Contribution	Balance not covered by SFC contribution
	£k	£k	£k	£k		£k	£k
Homeless Accommodation	160	72	232	232	No	0	232
Hitchin Town Hall	25	0	25	52	Yes	17	35
Car Parking Fees Income	102	288	390	390	Yes	78	312
Car Park Season Ticket Income	61	91	152	152	Yes	43	109
Trade Waste and Recycling	32	0	32	32	Yes	14	18
<b>Total</b>	<b>380</b>	<b>451</b>	<b>831</b>	<b>858</b>		<b>152</b>	<b>706</b>

\* 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.

- 8.15. Table 6 below summarises the impact on the General Fund balance of the position at Quarter Two detailed in this report.

**Table 6 – General Fund impact**

	Working Budget	Projected Outturn	Difference
	£k	£k	£k
<b>Brought Forward balance (1<sup>st</sup> April 2021)</b>	<b>(8,865)</b>	<b>(8,865)</b>	<b>-</b>
Net Expenditure	19,361	18,105	(1,256)
Funding (Council Tax, Business Rates, NHB, Lower Tier Services Grant)	(15,135)	(15,135)	0
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	(117)	(558)	(441)
Covid-19 related income losses compensation to June 2021	(185)	(308)	(123)
Covid-19 Council Tax Support Grant	(230)	(230)	0
<b>Carried Forward balance (31<sup>st</sup> March 2022)</b>	<b>(7,562)</b>	<b>(9,382)</b>	<b>1,820</b>

- 8.16. 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 £2,101k, and at the end of the second quarter a total of £534k has come to fruition. The identified risks realised in the second quarter relate to

- Usage of bed and breakfast accommodation for homeless households (as highlighted in table 3 above) - £72k.
- Costs associated with appeals against planning decisions (as highlighted in table 3 above) - £79k.
- Lower than budgeted income from planning applications as a result of delay to Local Plan progress (as highlighted in table 3 above) - £70k.
- Additional costs associated with progressing the Local Plan (as highlighted in table 3 above) - £96k

**Table 8 – Known financial risks**

	<b>£'000</b>
<b>Original allowance for known financial risks</b>	<b>2,101</b>
Known financial risks realised in Quarter 1	(217)
Known financial risks realised in Quarter 2	(317)
<b>Remaining allowance for known financial risks</b>	<b>1,567</b>

## **9. LEGAL IMPLICATIONS**

- 9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.6.8 of Cabinet's terms of reference state that it has remit "*to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance 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.