

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FIRST QUARTER REVENUE BUDGET MONITORING 2022/23

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 2022/23, as at the end of the first quarter. The forecast variance is a £559k decrease in the net working budget of £18.615million, with an ongoing impact in future years of a £414k increase. Within these summary totals there are a number of budget areas with more significant variances, which 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 2022/23 General Fund budget, as identified in table 3 and paragraph 8.2, a £559k decrease in net expenditure.
- 2.3. That Cabinet notes the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a total £414k increase in net expenditure. These will be incorporated in the draft revenue budget for 2023/24.
- 2.4. That Cabinet delegates to the Service Director: Resources (in consultation with the Executive Member for Finance and IT) authority to enter in to a Business Rate Pooling arrangement (if available) if it is estimated that it will be in the financial interests of the Council.

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 9th May 2022.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2022/23 of £18.198million in February 2022. As at the end of Quarter One, the working budget has increased to £18.615million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original Revenue Budget for 2022/23 approved by Full Council	18,198
Quarter 3 2021/22 Revenue Budget Monitoring report – 2022/23 budget changes approved by Cabinet (March 2022)	238
2021/22 Revenue Budget Outturn Report – 2022/23 budget changes approved by Cabinet (June 2022)	179
Current Working Budget	18,615

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

Table 2 – Service Directorate Budget Allocations

Service Directorate	Original Budget 2022/23	Changes approved at Q3 2021/22	Changes approved at Outturn 2021/22	Other Budget Transfers	Current Net Direct Working Budget
	£k	£k	£k	£k	£k
Managing Director	3,422	104	135	0	3,661
Customers	3,866	10	52	0	3,928
Enterprise	(148)	(4)	0	0	(152)
Legal & Community	2,281	50	(9)	0	2,322
Place	4,818	(15)	(51)	0	4,752
Regulatory Services	1,407	43	52	0	1,502
Resources	2,552	50	0	0	2,602
TOTAL	18,198	238	179	0	18,615

- 7.3. Subsequent to the presentation of the Revenue Outturn 2021/22 report to Cabinet in June, an accounting adjustment to the income recorded from parking penalty charge notices was identified. This was identified prior to the publication of the Council's Draft Statement of Accounts for 2021/22 at the end of July, so was included in those accounts.

The outcome was a revised General Fund balance at the end of the 2021/22 financial year of £10.607m, an increase of £36k from the closing balance of £10.571m published in the Outturn Report. In addition, the net contribution from Earmarked Reserves to the General Fund balance was reduced by £3.3million from the £8.123m, as detailed in the Outturn Report, to £4.823m This followed the finalisation of the Collection Fund accounting for 2021/22. This meant that the Council held a total of £15.935m in earmarked reserves at the end of the last financial year. The Council's External Auditors have communicated that they plan to commence the 2021/22 Final Accounts audit in November. Further changes to the General Fund balance may therefore 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 (2023/24) budget:

Table 3 - Summary of significant variances

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Treasury Investments Interest Income	(119)	(708)	(589)	Increase in estimated interest income receivable is primarily due to the changes in 2022 to the Bank of England base rate and the consequent increase in the interest returns available on the investment of surplus cash balances. The income budget estimate, prepared in January, was based on the bank rate of 0.25% at the start of the year, but this has subsequently increased to 1.75%, with the most recent 0.5% increase agreed at the start of August. In addition, reprofiling of capital spend in the second half of the last financial year has increased the cash balances available for investment. The estimated ongoing impact will be updated when the Investment Strategy for 2023 – 2033 is finalised in January 2023.	0	(500)
Covid-19 Impacts central expenditure provision	1,740	110	(1,630)	Release of provision to mitigate the relevant adverse variances forecast at Quarter One, as highlighted below in this table, as well as the release of those provision amounts not required for commingled recycled materials processing (£290k) and Trade Waste (£110k) based on the positive forecasts also reported below. The remaining amount relates to income from the Hitchin Town Hall community facility. While income in Quarter One was in line with the budget expectation, it remains to be seen whether Covid-19 will continue to impact demand for mass indoor events in the winter.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Staffing Cost Budgets - Staff Pay Award 2022/23	287	840	+553	The estimated additional cost of the pay award for 2022/23 is based on the final employer offer of an increase of £1,925 to every pay point. The assumption in the original budget for 2022/23 was a pay offer of 2%. While the Trade Unions are currently considering their response to this offer, it is highly unlikely that any further changes to the proposed award will reduce the cost to the Council.	0	553
Temporary Accommodation Net Cost	50	172	+122	The forecast outturn indicates the cost of nightly paid placements for homeless households, for which £39k of Rough Sleeping Initiative grant income has been allocated. At the end of Q1 there were 98 households in temporary accommodation (8 in hotels), which represented a slight reduction on the 104 households in temporary accommodation (15 in hotels) at the end of the last financial year. As currently all the homeless households qualify for housing benefit, 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. Homeless costs were identified as an ongoing impact of Covid-19 in 2022/23. The forecast variance is mitigated by the release of the corresponding amount from the central Covid-19 impacts provision.	0	0
DLUHC Rough Sleeping Initiative Grant Income	0	(39)	(39)		0	0
Total Temporary Accommodation	50	133	+83		0	0
Enterprise Directorate Staffing Costs	1,024	991	(33)	Forecast underspend relates to a Business Partner post held vacant while staffing arrangements are reviewed in light of the expansion of the Directorate to include the Economic Development team and the addition of Tourism to the Directorate portfolio.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Commercial Rents Income	(1,340)	(1,492)	(152)	Forecast outturn follows the anticipated conclusion in this financial year of two rent reviews that have been ongoing for some time. Subject to these rent reviews concluding at the provisionally agreed annual rents, much of the additional income in 2022/23 will be the back-rent due. The annual uplift is expected to be £8,900 and £30,000 for the two sites respectively. The total variance is net of this year's target budget for additional income from rent reviews of £56k. There are similar targets for additional commercial rent income in future years. The excess ongoing income will be used to meet that target, so is not included in the 2023/24 estimated impact to avoid double-counting.	0	0
Leisure Centre Management Contract Fee Income	(857)	(429)	+428	Activity data for the first quarter of the year indicates a continuing recovery at the Council's Leisure Centres. The forecast variance is based on the Council receiving 50% of the income anticipated under the contract, which compares to 5% achieved in 2021/22. Actual income in this year will be dependent on the speed and strength of the ongoing recovery. A shortfall in Leisure Centre management fee income was identified as an ongoing impact of Covid-19 in 2022/23. The forecast variance is mitigated by the release of a corresponding amount from the central Covid-19 impacts provision.	0	0
Domestic Waste & Recycling and Street Cleansing Contract Expenditure	5,605	5,953	+348	Overspend variance follows the calculation of the contract inflation for 2022/23. The budget for 22/23 assumed a contract inflation of 3.7%, based on the respective contractual indices at that time. Due to subsequent increases in the fuel price index and the Consumer Price Index, this, has resulted in an increase to contract prices of 9.9%.	0	348

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Commercial Waste and Recycling Services						
Income from Customers	(1,113)	(1,153)	(40)	It was reported at Q1 last year that there had been a loss of customers and some rationalisation of the services used, such as reduced frequency of collections, reduction in the number of bins and / or bin sizes, due to the impacts of Covid-19. There has however since been some recovery in commercial waste activity. The estimated income impact is partially offset by a projected increase in tipping charges, primarily due to the increase of around 11% in the disposal price per tonne, and higher contract costs from the higher level of activity.	0	(40)
Tipping Charges	322	345	+23		0	23
Contract Expenditure	96	100	+4		0	4
Net Total	(695)	(708)	(13)		0	(13)
Commingled Recycling – Haulage and Processing Costs	381	40	(341)	Amounts charged by the contractor for haulage and processing are net of income generated from the sale of the recycled materials collected. Material sale prices fluctuate significantly with global markets. The forecast variance reflects both the higher material prices achieved during Quarter 1, to the extent a small surplus income was generated for the quarter, and against this the current market intelligence suggesting prices received for cardboard are now falling rapidly as a result of a slow-down in consumer spending and consequently packaging. As the recycled materials market is very volatile, it is not assumed that this underspend will continue in future years.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Waste Awareness and Minimisation – AFM Income from Herts County Council	(421)	(125)	+296	<p>The AFM income value is impacted by recycling performance and residual waste disposal across the County. Greater levels of residual waste generated across Hertfordshire, as residents' routines and habits changed with home-working and more online shopping since the onset of the Covid-19 pandemic, have increased the overall costs of disposal incurred by HCC and therefore reduced the total AFM amount shared with collection authorities. In addition, while North Herts has maintained a similar level of recycling performance for a number of years, other Councils have made more recent service changes to improve their recycling performance, which has contributed to reducing North Herts share of the total allocation made available by HCC.</p> <p>Reduction in AFM income was identified as an ongoing impact of Covid-19 in 2022/23. The forecast variance is offset by the release of the amount included in the central Covid-19 impacts provision, which assumed zero income in this year.</p>	0	0
Car Parking Fees Income	(1,999)	(1,801)	+198	<p>Forecast outturn for 22/23 is based on the experience of Quarter 1, with income receipts at approximately 90% of the level observed prior to the Covid-19 pandemic. The apparent plateau in the recovery may be indicative of one or both of; a long-term shift to working from home; and the increase in the cost-of-living deterring journeys into town centres for leisure activities and shopping.</p> <p>A shortfall in pay-as-you-use parking income was identified as an ongoing impact of Covid-19 in 2022/23. The forecast variance is mitigated by the release of the £200k amount included in the central Covid-19 impacts provision.</p>	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Car Park Season Ticket Income	(320)	(135)	+185	Season ticket sales in the first quarter were similar to that achieved in the first quarter of 21/22 and less than half that generated prior to the Covid-19 pandemic. This reduction is attributed to greater levels of home working, initially adopted in response to the pandemic, with a number of the bigger local businesses operating in North Herts ceasing season ticket purchases or significantly reducing the number purchased. A shortfall in car park season tickets income was identified as an ongoing impact of Covid-19 in 2022/23. The forecast variance is mitigated by the release of a corresponding amount from the central Covid-19 impacts provision.	0	0
North Herts Local Plan 2011-31 Examination				The examination of the new Local Plan has now been ongoing for over five years (compared to a national average of around two years), reflecting the complexity of the issues and the volume of submissions the Inspector has dealt with. The forecast spend outturn is based on quotes received for the work involved and is therefore subject to change as actual hours worked by legal professionals and consultants could vary from the estimates. The contribution from the earmarked reserve represents the transfer to the General Fund of the total balance held in reserve at the start of the year.		
Expenditure	0	56	+56		0	0
Contribution from Local Plan Earmarked Reserve	0	(18)	(18)		0	0
Total	0	38	+38		0	0
Emergency Planning – Contribution to Herts County Council	27	2	(25)	The original budget included provision for a full time Resilience Officer post, as per the staffing restructure proposal approved by the Council's Leadership Team. Following the appointment to this role, the Council no longer requires the Emergency Planning Support that to date has been contracted to Herts County Council. The overall net impact is a small saving of just over £1,000.	0	(27)
Expenditure on Electricity and Gas	291	316	+25	The revised forecast for the year reflects the energy price increases due to the global rise in wholesale electricity and gas prices. The impact has been lessened due to our supplier hedging their position in the autumn of 2022 meaning the procured rates are significantly lower than current market rates. Our supplier is expecting prices to be fixed for the remainder of the year.	0	25
Total of explained variances	3,654	3,025	(629)		0	387
Other minor balances	14,961	15,031	+70		0	27
Overall Total	18,615	18,056	(559)		0	414

- 8.2. Cabinet are asked to approve the differences highlighted in the table above (a £523k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to note the estimated impact on the 2023/24 budget, a £414k increase in budget, which will be incorporated in to the 2023/24 budget setting process (recommendation 2.3).
- 8.3. The original approved budget for 2022/23 (and therefore working budget) included efficiencies totalling £589k, 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 current forecast at the end of Quarter One is an overachievement of £589k. This relates to forecast interest income from investment of surplus cash balances being greater than identified in the efficiency proposal, which was based on the Investment Strategy 2022-2032, as highlighted and explained in table three above.
- 8.4. The working budget for 2022/23 includes budgets totalling £712k that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2021/22 but was delayed into 2022/23. At Quarter One, it is forecast that all the budgets carried forward will be spent in this year.
- 8.5. Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2022/23. 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 are green, one indicator is amber, and two of the indicators are red. Explanations for the two red indicators are included in table 3 above. Whilst the individual budgets for the leisure management fee and car parking fees were not adjusted, there was an assumption that there was likely to be a shortfall in income in these areas, and forecasts at quarter one are in line with that forecast shortfall. The amber indicator for income from parking PCNs reflects that income recorded in the first quarter was approximately £25k lower than anticipated in the budget. A higher level of activity in the remainder of the year may mean that the budgeted expectation is ultimately met, but there is a risk that the budget will not be achieved.

Table 4 - Corporate financial health indicators

Indicator	Status	Original Budget £k	Actual to Date £k	Projected Outturn £k	Variance £k
Leisure Centres Management Fee	Red	(857)	0	(429)	428
Garden Waste Collection Service Subscriptions	Green	(1,139)	(671)	(1,184)	(45)
Commercial Refuse & Recycling Service Income	Green	(1,113)	(372)	(1,153)	(40)
Planning Application Fees (including fees for pre-application advice)	Green	(1,006)	(615)	(1,006)	0
Car Parking Fees	Red	(1,999)	(416)	(1,801)	198
Parking Penalty Charge Notices (PCNs)	Amber	(573)	(71)	(573)	0

- 8.7. Table 5 below indicates current activity levels, where these drive financial performance, and how these compare to the prior year to indicate the direction of current trends. As performance against the planning applications fee income budget is generally determined by the number of large applications resolved in the year (rather than the total number of applications received), and this distinction is not captured in the data available, this indicator is omitted from table 5. Regarding the comparative reduction in the number of PCNs issued, it should be noted that activity levels in 2021/22 were above those anticipated in the original budget estimate.

Table 5 - Corporate financial health indicators – activity drivers

Indicator	Activity Measure	Performance Q1 2022/23	Performance Q1 2021/22	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits in quarter	312,679	171,823	+82.0%	
Garden Waste Collection Service	Number of bin subscriptions at end of quarter	30,392	31,585	-3.8%	
Commercial Refuse & Recycling Service	Number of customers at end of quarter	986	905	+8.9%	
Car Parking Fees	Car park tickets sold / average ticket price sold during quarter	269,341 / £1.61	242,714 / £1.74	+11.0% / -7.5%	
Parking Penalty Charge Notices	Number of PCNs issued during quarter	3,121	3,532	-11.6%	

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.8. The Council's revenue budget is funded primarily from Council Tax and Retained Business Rates income. The Council was notified by Central Government in February 2022 of the amount of New Homes Bonus, Lower Tier Services Grant and Services Grant it could expect to receive in 2022/23 and planned accordingly.
- 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. The Council must repay in this year its share of the Council Tax and Business Rates Collection Fund deficits for the prior year, as estimated in January 2022. As reported previously, this means a contribution from the General Fund of £2k to the Council Tax Collection Fund and £5.345m to the Business Rates Collection Fund. The final totals recorded at the end of the last financial year (excluding the third instalment of the 20/21 deficit spread to be repaid in 2023/24) was a deficit of £6k in respect of Council Tax and a business rates deficit of £5.575m. The difference between the January estimates and the final position will affect the calculation of the surplus / deficit for 2022/23 and hence funding available in 2023/24.
- 8.10. The Council is also subject to a business rates levy from Central Government as it collects more in business rates than the baseline need determined by Central Government. In 2022/23 the Council is a member of the Hertfordshire Business Rates Pool with five other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year. At the end of 2021/22, the Council accrued a contribution to the pool levy of £300k, which represented a 'pooling gain' (reduction compared to the levy otherwise payable if outside the pool) of £700k. There are however a range of potential

outcomes for the current year, which depend on the actual level of rates collected by both North Herts as well as the other collection authorities in the Pool. The contribution to the pool required for 2022/23 will therefore not be known until all the pool authorities have declared their business rates income amounts to government, via the NNDR3 return, following the end of this financial year. In any case, the Council's contribution to the pool 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.

- 8.11. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The Council has received a total grant allocation of £4.996m for reliefs in 2022/23, which includes an amount of £279k received as compensation for the Government's decision to freeze the business rates multiplier for 2022/23. The multiplier compensation is included in the funding total in table 7 below. 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 £5.345m deficit repayment required in this year and a further £3m will be used to ensure the business rates income charged to the General Fund in 2022/23 matches the estimated position declared to Government in January 2022 via the NNDR1 return, as required by statute.
- 8.12. The Council may also be eligible to retain further section 31 grant funding relating to the impact of the Covid-19 Additional Relief Fund (CARF). The Council received a cash receipt of £2.6m from government in the last financial year to facilitate the scheme, the cost of which will be dependent on the level of applications received from local businesses. Reliefs awarded through the fund will result in a corresponding equivalent increase in the reported business rates collection fund deficit. While overall there is a net nil effect on the Council's financial position, the compensating grant will be charged in this financial year, with the corresponding additional deficit repaid next year.
- 8.13. The Council received an e-mail from the Department of Levelling Up, Housing and Communities on 18 August in relation to Business Rate pooling. This e-mail did not commit that Business Rate pooling would be available for 2023/24, but if Authorities might be interested in forming a Pool then they have to commit to what that pool would be (i.e. which Councils would be part of a pool) by 22 September 2022. At the time of writing this report there has not been the opportunity for any discussion with other Hertfordshire Councils on whether to form a pool or start work on what the optimal pool would be. The optimal pool would include Hertfordshire County Council, and usually four of five District/ Borough Councils. There has also not been any confirmation on whether a Business Rates reset would take place. If there was a reset then it would remove any previous gains from the system and make pooling much less lucrative. Given the deadline for responding and the uncertainty, recommendation 2.4 seeks delegated approval (to the Service Director: Resources in consultation with the Executive Member for Finance and IT) for the Council to be part of a pool if the option is available and it is estimated to be in the financial interests of the Council
- 8.14. The Council does not expect to receive non-ringfenced emergency grant funding from government in 2022/23 to help mitigate the ongoing financial impacts of the Covid-19 pandemic. As detailed in the 2022/23 Revenue Budget Report presented to Full Council in February, a central provision of £1.740m was included in the budget for 2022/23. As explained in table 3, £1.630m of the allocation has been released based on the forecasts detailed at Quarter one, with £110k of the provision in respect of Hitchin Town Hall income not yet allocated. As shown in table 6 below, forecast adverse variances reported at quarter one totalling £1.190m in 2022/23 have been mitigated by the central provision, with a further £440k of the budget provision forecast to be unused and therefore can be released to the General Fund.

Table 6 – Ongoing Covid-19 Impacts in 2022/23

Identified Ongoing Financial Impacts from Covid-19	Original Provision	Forecast variance at Q1	Provision applied at Q1	(Shortfall in original provision) / provision amount unused
	£k	£k	£k	£k
Leisure Centre management fee income	420	+428	428	(8)
Pay as you use parking income	200	+198	198	2
Homeless costs	80	+83	83	(3)
Car park season tickets	120	+185	185	(65)
AFM income	420	+296	296	124
Trade Waste income	100	(13)	0	100
Recyclable materials	290	(341)	0	290
TOTAL Reported at Q1	1,630	836	1,190	440

8.15. Table 7 below summarises the impact on the General Fund balance of the position at Quarter One detailed in this report.

Table 7 – General Fund impact

	Working Budget	Projected Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2022)	(10,607)	(10,607)	-
Net Expenditure	18,615	18,056	(559)
Funding (Council Tax, Business Rates, NHB, Lower Tier Services Grant, 2022/23 Services Grant)	(15,820)	(15,820)	0
Release of the balance held in the earmarked Special Reserve	(639)	(640)	(1)
Contribution to Collection Fund	5,345	5,345	0
Funding from Reserves (including Business Rate Relief Grant)	(5,888)	(5,888)	0
Carried Forward balance (31st March 2023)	(8,994)	(9,554)	(560)

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 £1,808k, and at the end of the first quarter a total of £41k has come to fruition. The identified risks realised in the first quarter relate to

- Usage of bed and breakfast accommodation for homeless households (as highlighted in table 3 above) - £3k (net of £80k Covid-19 budget provision).
- Additional costs associated with progressing the Local Plan (as highlighted in table 3 above) - £38k.

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	1,808
Known financial risks realised in Quarter 1	(41)
Remaining allowance for known financial risks	1,767

9. LEGAL IMPLICATIONS

- 9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.6.8 of Cabinet's terms of reference state that it has remit "*to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance of reserves.
- 9.2. The recommendations contained within this report are to comply with the council's financial regulations with attention drawn to significant budget variances as part of good financial planning to ensure the council remains financially viable over the current fiscal year and into the future. Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This means there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met

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.