

PART 1 – PUBLIC DOCUMENT

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

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

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 third quarter. The forecast variance is a £1.090million decrease in the net working budget of £18.056 million, with an ongoing impact in future years of a £35k increase and a request to carry forward budgets totalling £514k to fund specific projects in 2023/24. The forecast underspend variance in 2022/23 includes £389k of unspent budget that was approved to be carried forward when the 2023/24 revenue budget was approved by Council in February. All the 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 2022/23 General Fund budget, as identified in table 3 and paragraph 8.3, a £1.090million decrease in net expenditure.
- 2.3. That Cabinet approves the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.3, a total £549k increase in net expenditure.
- 2.4. That Cabinet approves the use of £140k of salary budget carry-forward for additional Service Director capacity for an 18- month period, and that the allocation of the remainder (if needed) will be delegated to the Managing Director (as Head of Paid Service), in consultation with the Leader, Deputy Leader and Executive Member for Finance and IT.

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 13th February 2023.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2022/23 of £18.198million in February 2022. As at the end of Quarter Two, the working budget has decreased to £17.786million. 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
Quarter 1 2022/23 Revenue Monitoring report - 2022/23 variances approved by Cabinet (September 2022)	(559)
Quarter 2 2022/23 Revenue Monitoring report - 2022/23 variances approved by Cabinet (December 2022)	(270)
Current Working Budget	17,786

- 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 revenue monitoring report.

Table 2 – Service Directorate Budget Allocations

	Working Budget at Quarter Two	Changes approved at Quarter Two	Other Budget Transfers during Q3	Current Net Direct Working Budget
Service Directorate	£k	£k	£k	£k
Managing Director	1,252	(386)	(21)	845
Customers	4,389	(69)	9	4,329
Enterprise	(233)	27	33	(173)
Legal & Community	2,435	51	32	2,518
Place	5,510	(217)	(40)	5,253
Regulatory Services	1,981	302	2	2,285
Resources	2,722	22	(15)	2,729
TOTAL	18,056	(270)	0	17,786

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
Significant Variances Identified at Month 8						
Social Care Levy Central Contingency Budget	88	0	(88)	An additional budget review was carried out at the end of November 2022 (month 8). The significant current year variances identified were itemised and explained within the monitoring included in the Revenue Budget report 2023/24 presented to Cabinet in January. The ongoing impact and carry forward request values were included in the budget estimates for 2023/24 – 2027/28 recommended to Council for approval in February. All the expenditure budget forecast to be unspent in respect of Electric Vehicle Charging Points, SPDs, Town Centre Strategies, Transport User Group Forum, Local Plan Post Adoption Review and Brexit Grant funded expenditure was requested to be carried forward into 2023/24.		
Electric Vehicle Charging Points	73	10	(63)			
Supplementary Planning Documents (SPDs)	167	0	(167)			
Town Centre Strategies	80	0	(80)			
Transport User Group Forum	47	1	(46)			
Local Plan Post Adoption Review	35	13	(22)			
Brexit Grant Funded Expenditure	12	1	(11)			
TOTAL	502	25	(477)			
Legal & Community Directorate Staffing Costs	1,805	1,775	(30)	A significant forecast underspend variance against staffing in Legal & Community was also highlighted in the November monitoring. This estimate at the end of Quarter Three represents an update to the forecast at Month 8. The underspend is largely due to vacant posts in Democratic Services and Community Safety. See 'Regulatory Directorate Staffing Costs' underspend for carry-forward explanation.	30	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Investment Interest Income	(1,126)	(1,277)	(151)	Investment interest rates have continued to rise during the quarter, with the Bank of England base rate increasing from 2.25% to 3.5% during the quarter. The average interest rate return on all outstanding investments at the end of Q3 therefore rose to 3.21%, compared to 2.16% at the end of Q2. The estimated ongoing impact was included in the revenue budget estimates presented to Council for approval in February.	0	0
Covid Contingency Budget	110	0	(110)	With no adverse impact evident on the demand for winter indoor events at Hitchin Town Hall, the remaining £110k of the central contingency budget, allocated in respect of Hitchin Town Hall income, is forecast to be unused.	0	0
Corporate Apprenticeship Scheme	347	247	(100)	A proportion of the underspend in the current year relates to several apprentices who moved into permanent roles before the end of their apprenticeships, while one apprentice left the Council mid-way through their apprenticeship. The number of apprenticeship placements has been increased to utilise the underspend accumulated and therefore it is requested that the unspent budget is carried forward to fund the cost of the additional placement contracts in next year.	100	0
Temporary Accommodation – Net Housing Benefit Expenditure	172	120	(52)	Forecast underspend variance mostly offsets the £83k overspend projected in the Quarter One monitoring report. While the forecast at Quarter One assumed some reduction in hotel usage during this year compared to the prior year, as the supply of supported housing options has increased, the actual numbers of homeless people accommodated in hotels this year has been even lower than projected. This has reduced the associated housing benefit subsidy loss, which occurs as Housing Benefit payments for temporary accommodation are not eligible for full reimbursement through Housing Benefit subsidy grant.	0	0
Enterprise Directorate Staffing Costs	1,012	939	(73)	Underspend reflects vacancies held in this year within the Enterprise Team and Estates Service. See 'Regulatory Directorate Staffing Costs' underspend for carry-forward explanation.	60	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Enterprise Team - Consultants	30	1	(29)	This investment budget was to support the appraisal of new opportunities as well as progressing existing projects. It has not been required to be used this year. As there is no permanent budget for this activity, it is requested that the unspent budget is carried forward to ensure resource is available to support projects in next year.	29	0
Bulky Waste Collection Service Income	(44)	(74)	(30)	The working budget is based on activity levels prior to the pandemic. The forecast variance therefore indicates the higher level of demand for the service experienced since the first lockdown, with forecast income only marginally lower than the actual (£85k) achieved in the prior financial year.	0	0
Income from paper recycling				Forecast income variances reflect the continued decline in the tonnages of paper collected for recycling. This is attributed to the relative decline in consumption of print media with more people consuming content digitally.	0	16
Income from sale of paper	(179)	(163)	+16			
Recycling credits income	(75)	(49)	+26			
Net Total	(254)	(212)	+42			
Commingled Recycling Haulage and Processing costs	40	356	+316	Amounts charged by the contractor for haulage and processing are net of the sale proceeds from the recycled materials collected (which can be a cost or can be income). Material prices fluctuate significantly with global market impacts. Based on prices achieved in the first part of the year, the original budget of £380k was reduced by £341k (a reduction in cost) at Quarter One. The net proceeds have however fallen substantially since then, most notably in respect of mixed card and paper.	0	0
AFM Funded Waste Minimisation Expenditure	123	92	(31)	Work is ongoing in relation to the waste procurement and some elements of legal and consultancy work have taken longer to complete than anticipated, hence impacting on spend. A carry forward is requested to fund the completion of this activity in the next financial year.	31	0
Planning Control Legal Fees	1	28	+27	Following the submission of a Judicial Review in respect of a planning application, the Council has come to an agreement with the relevant parties without the need for Court action. The forecast outturn relates to a payment associated with that agreement.	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
Regulatory Directorate Staffing Costs	1,616	1,376	(240)	<p>Underspend variance reflects the high level of turnover of staff during the year and the difficulty in filling vacancies. There have been several vacancies for more senior roles within the Directorate in the last quarter which has necessitated the use of agency staff. These posts are likely to continue to be vacant into quarters 1 and 2 of 2023/24 and, as such, agency cover will continue to be required at a significantly higher cost than the estimated cost of posts recorded on the establishment. Additional budget of £30k is therefore requested in 2023/24 only to cover the additional costs anticipated.</p> <p>The remaining underspend is requested to be carried forward, along with the Legal & Community staffing underspend of £30k and £60k of the Enterprise staffing underspend, giving a total of £300k. See paragraph 8.2 for further details.</p>	210	30
Parking Season Tickets Sales Income	(135)	(175)	(40)	Revised forecast at Quarter 3 is primarily due to a particularly large order for permits received in December. The recovery in sales activity since the pandemic restrictions were lifted has generally been very gradual, with the forecast income outturn of £175k representing a slower recovery than assumed in the calculation of the corresponding Covid contingency budget provision for 22/23.	0	0
On Street Parking Lines and Signs	53	23	(30)	There has been increased spend on this budget in this financial year in delivering an ongoing maintenance programme for the replacement of lines and signs as required across the district. The remainder of the budget was allocated towards funding the replacement and upgrading of the tariff boards associated with the installation of EV charging points across the council car parks and with the alternative methods of payment project. There has been a delay in both these projects due to the requirement for further feasibility work and having to follow the appropriate procurement process for the EV Charging points. It is therefore requested that the remainder of the budget is carried forward as it is expected to be spent in 2023/24 with the implementation of the two projects.	30	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Gas and Electricity Costs	316	289	(27)	Underspend reflects a lower level of actual energy consumption during the year than anticipated in the original budget, the calculation of which was made more difficult by the impact in the prior year of Covid-19 on the use of Council premises. The reduced consumption has a higher estimated financial impact in next year, as unit prices are expected to increase (the price increase is already incorporated in to the budget for 2023/24).	0	(43)
Repairs and Maintenance Expenditure	174	127	(47)	Approximately half of the forecast underspend is due to works being completed at lower cost than anticipated. Some of the works completed at lower cost is due to them being delivered in-house rather than through an external contractor. It will however not be possible to complete all planned maintenance works in 2022/23 and a carry forward of £24k is therefore requested to finance the cost of these works in the next financial year.	24	0
Total of explained variances	4,742	3,660	(1,082)		514	29
Other minor balances	13,044	13,036	(8)		0	6
Overall Total	17,786	16,696	(1,090)		514	35

8.2. At the Council budget meeting in February the following resolution was passed: "Council notes the staff resourcing issues that the Council faces, particularly in relation to planning and the strategic implementation of the Local Plan, and notes that Cabinet and the Head of Paid Service will look at options to make use of available resources (such as carry-forward of unspent salary budgets) to support the delivery of key Council functions and priorities." As identified in table 3 above, there are staffing underspends from this year of £300k that Cabinet is asked to approve to be carried forward. The use of this funding will focus on creating capacity to deliver existing Council priorities. That will include creating additional fixed-term capacity (around 18 months) at the Service Director level in Regulatory, to allow the current Service Director to focus on strategic Planning issues. Noting that the effective implementation of the Local Plan and supplementary planning documents, could lead to significant levels of planning income and improved planning obligation contributions. This will also help enable the work on town centre strategies. Including employer on-costs that would be around £140k (for 18 months). The remainder would only be used where it could be shown that additional short-term staffing resource could improve resilience, that contributes towards the achievement of existing Council priorities and projects. A small proportion may be used for an independent review of the Council's future senior management structure. As detailed in recommendation 2.4, the exact use of the budget will be delegated to the Managing Director, in consultation with the Leader, Deputy Leader and Executive Member for Finance and IT.

8.3. Cabinet are asked to approve the differences highlighted in the table above (a £1.090million decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to approve the estimated impact on the 2023/24 budget of a £549k increase in budget, which includes the request to carry forward £514k of budget from 2022/23 to 2023/24 (recommendation 2.3).

8.4. The original approved budget for 2022/23 (and therefore working budget) included efficiencies totalling £606k, which were agreed by Council in February 2022. 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 Quarter Two was a net overachievement of £881k. The current forecast at the end of Quarter Three is a net overachievement of £1,046k. The increase of £165k since Quarter Two relates to:

- Increase of £151k in the overachievement of forecast interest income from investment of surplus cash balances, as itemised in table three above.
- £4k overachievement of the North Herts Lottery efficiency. In line with the business case, the proposal did not assume any surplus income in the current financial year. Forecast net income of £3k from the lottery was reported at Quarter Two, with a further £1k included in the 'other minor variances' total in table 3 above.
- £10k overachievement of the net income anticipated from the letting of land at Newark Close, Royston. The proposal had assumed some clean-up of the site would be required prior to letting to a new tenant but in the event the lease has been assigned to a new tenant without the Council incurring this additional cost. The saving is included in the 'other minor variances' total in table 3.

8.5. 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 Two, it was forecast that the £20k budget carried forward in respect of the Housing Stock condition survey would not be spent in this financial year. At Quarter Three it is forecast that £363k of the budget carried forward will not be spent. £317k of the increase in the forecast comprises unspent budget carried forward in respect of Electric Vehicle Charging Points (£53k), Supplementary Planning Documents (£167k), Town Centre Strategies (£40k), Transport User Group Forum (£46k) and Brexit Grant Funded Expenditure (£11k), for reasons explained in the month 8 monitoring presented within the Revenue Budget 2023/24 report. The remainder relates to;

- Parking Lines and Signs - £15k of the £38k budget carried forward will not be spent in this year, as explained in table three above, and is requested to be carried forward again to 2023/24.
- Repairs and Maintenance – £11k of the £49k carried forward for planned maintenance works is forecast to be unspent in this year, as highlighted in table 3 above, and is requested to be carried forward again to 2023/24.

All the other budgets carried forward are expected to be spent in this year.

8.6. 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.






8.7. At the end of Quarter Two, two of the indicators were green, one indicator was amber, and three of the indicators were red. At the end of Quarter Three, three of the indicators are green and three are red. The additional green indicator at Quarter 3 relates to income from parking PCNs. The change in status is due to the level of activity and income receipts recorded during quarter 3 exceeding original budget estimates for the quarter and hence indicating that the full year budget will 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)	(495)	(671)	186
Garden Waste Collection Service Subscriptions	Green	(1,139)	(1,631)	(1,223)	(84)
Commercial Refuse & Recycling Service Income	Green	(1,113)	(895)	(1,153)	(40)
Planning Application Fees (including fees for pre-application advice)	Red	(1,006)	(905)	(823)	183
Car Parking Fees	Red	(1,999)	(1,317)	(1,785)	214
Parking Penalty Charge Notices (PCNs)	Green	(573)	(432)	(573)	0

8.8. 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.

Table 5 - Corporate financial health indicators – activity drivers

Indicator	Activity Measure	Performance to Q3 2022/23	Performance to Q3 2021/22	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits	1,083,908	612,373	+77.0%	
Garden Waste Collection Service	Number of bin subscriptions at end of quarter 3	27,920	26,899	+3.8%	
Commercial Refuse & Recycling Service	Number of customers	1,014	1,045	-3.0%	
Car Parking Fees	Car park tickets sold / average ticket price sold	855,931 / £1.63	817,931 / £1.56	+4.6% / +4.7%	
Parking Penalty Charge Notices	Number of PCNs issued	10,202	10,684	-4.5%	

FUNDING, RISK AND GENERAL FUND BALANCE

8.9. 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. In addition, on 6th February 2023 the Government announced the allocations for the distribution of the business rates levy account surplus, with North Herts Council eligible to receive £23k in 2022/23. This amount has been added to the forecast funding total in table 6 below.

- 8.10. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. 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 in 2022/23.
- 8.11. The Council's share of the Council Tax Collection Fund is forecast to be a surplus balance of £138k at the end of the year. The surplus amount of £138k will be transferred from the Collection Fund to the General Fund in the next financial year and will therefore increase the amount of funding available in 2023/24, as was shown in Appendix C to the Revenue Budget 2023/24 report. Any difference between this estimate and the actual position recorded at the end of the financial year will affect the calculation of the surplus / deficit position for 2023/24 and therefore impact the level of Council Tax funding available in 2024/25.
- 8.12. At Quarter Two the forecast of the Council's share of the balance for 2022/23 in respect of the Business Rates Collection Fund was a surplus of around £0.5m, primarily due to lower levels of retail relief applied to rates bills this year than anticipated when estimates were prepared in January 2022. This forecast remains unchanged at Quarter Three, with a forecast surplus of £453k declared in the NNDR1 return submitted to Central Government in January 2023. Similar to the Council Tax Collection Fund, the surplus amount will be transferred to the General Fund in the next financial year and any difference with the final outturn will affect the following year's surplus / deficit position. The transfer of the surplus next year will reduce the contribution required from the grant held in earmarked reserve (paragraph 8.13 refers) to ensure the business rates income amount charged to the General Fund in 2023/24 is in line with the amounts declared in the NNDR1 return.
- 8.13. 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. With the value dependent on the actual level of business rates income collected across the Hertfordshire authorities, the contribution to the pool required for 2022/23 will not be known until all the pool authorities have declared their business rates income to government after the end of the financial year. In any case, the contribution will be funded from the grant held in earmarked reserve and therefore will have a net zero impact on the General Fund balance at the end of the year.
- 8.14. 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 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 £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.

- 8.15. The Council is also eligible to retain further section 31 grant funding relating to the impact of the Covid-19 Additional Relief Fund (CARF). The scheme has awarded reliefs against chargeable business rates amounts for 2021/22 totalling £1.16m, of which the Council's share is 40% (£466k). The cost of the reliefs awarded through the fund is included in [has reduced] the estimated surplus position referred to in paragraph 8.12 above. The compensating grant (£466k) will be charged to the General Fund in this financial year. We would usually transfer the grant to a reserve to cover any future shortfalls. However, as a provision was made in the 2021/22 accounts for the non-collection of outstanding arrears, against which the CARF reliefs have been applied, it is unlikely that there will be a future impact. This will be confirmed as part of the year end collection fund calculations, including calculating the provision for bad debt. It is reasonably likely that the impact will be an increase in the year end General Fund balance of around £466k (compared with the current forecast shown in table 6 below).
- 8.16. 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. The budget provision has now been fully allocated, with £1.190m used to mitigate forecast adverse variances reported at Quarter One and a further £550k forecast to be unused.
- 8.17. Table 6 below summarises the impact on the General Fund balance of the position at Quarter Three detailed in this report and includes the planned transfer of the mausoleum earmarked reserve back to the General Fund, as there is no longer the demand to justify building new niches, following the Cabinet discussion of the Revenue Budget 2023/24 report presented to Council in February.

Table 6 – General Fund impact

	Working Budget	Projected Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2022)	(10,607)	(10,607)	-
Net Expenditure	17,786	16,696	(1,090)
Funding (Council Tax, Business Rates, NHB, Lower Tier Services Grant, 2022/23 Services Grant, Business Rates Levy Surplus)	(15,820)	(15,843)	(23)
Release of the balance held in the earmarked Special Reserve	(640)	(640)	0
Release of Cemetery Mausoleum earmarked reserve	0	(175)	(175)
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)	(9,824)	(11,112)	(1,288)

- 8.18. The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types so, when they occur, they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the

start of the year for known risks was £1,808k, and at the end of the third quarter a total of £429k has come to fruition. The identified risks realised in the third quarter relate to:

- Increase in the net cost of recycling services; £42k paper recycling (as highlighted in table 3 above) and £16k increase in the net cost of commingled recycling due to a reduction in the volume of recyclates collected (included within the 'other minor variances total' in table 3) - £58k
- Costs associated with a challenge to a decision of the Council in respect of a planning application (as highlighted in table 3 above) - £27k.

Table 7 – Known financial risks

	£'000
Original allowance for known financial risks	1,808
Known financial risks realised in Quarter 1	(41)
Known financial risks realised in Quarter 2	(303)
Known financial risks realised in Quarter 3	(85)
Remaining allowance for known financial risks	1,379

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.