

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FIRST QUARTER REVENUE BUDGET MONITORING 2023/24

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 2023/24, as at the end of the first quarter. The forecast variance is a £1.119million decrease in the net working budget of £18.998million, with an ongoing impact in future years of a £260k increase, and a request to carry forward £10k of unspent budget to fund a specific project in 2024/25. The forecast decrease in spend in the current year is mainly due to the anticipated interest returns from treasury investments this year exceeding the assumption in the original budget estimate. Further detail on this, and explanations for all other budget areas with more significant variances, is included in table 3.

2. RECOMMENDATIONS

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a £1.119million decrease in net expenditure.
- 2.3. That Cabinet notes the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a total £270k increase in net expenditure. These will be incorporated in the draft revenue budget for 2024/25.

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 18th August 2023.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2023/24 of £18.496million in February 2023. As at the end of Quarter One, the working budget has increased to £18.998million. 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 2023/24 approved by Full Council	18,496
Quarter 3 2022/23 Revenue Budget Monitoring report – 2023/24 budget changes approved by Cabinet (March 2023)	549
2022/23 Revenue Budget Outturn Report – 2023/24 budget changes approved by Cabinet (June 2023)	(47)
Current Working Budget	18,998

- 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 2023.

Table 2 – Service Directorate Budget Allocations

Service Directorate	Original Budget 2023/24	Changes approved at Q3 2022/23	Changes approved at Outturn 2022/23	Other Budget Transfers	Current Net Direct Working Budget
	£k	£k	£k	£k	£k
Managing Director	490	400	97	(213)	774
Customers	4,298	(5)	(205)	25	4,113
Enterprise	(87)	16	25	48	2
Legal & Community	2,658	0	22	80	2,760
Place	6,132	57	(1)	13	6,201
Regulatory Services	2,079	53	15	0	2,147
Resources	2,926	28	0	47	3,001
TOTAL	18,496	549	(47)	0	18,998

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 (2024/25) 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 2024/25 £k
Treasury Investments Interest Income	(1,602)	(2,602)	(1,000)	Increase in estimated interest income receivable is primarily due to the increases to the Bank of England base rate, and the consequent increase in the interest returns available on the investment of surplus cash balances, since the preparation of the income budget estimate in January 2023. Estimates for future years will be updated when the Investment Strategy for 2024 – 2034 is finalised in January 2024.	0	0
Covid-19 Impacts central expenditure provision	450	160	(290)	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, as detailed in table 6 of this report. The remaining provision relates to car parking income from pay as you go users and the sale of car park season tickets. The forecast for these income streams will be reviewed again at Quarter 2 when more sales data will be available and the outlook for 2023/24 better known.	0	0
Staffing Cost Budgets - Staff Pay Award 2023/24	630	888	+258	The estimated additional cost of the pay award for 2023/24 is based on the agreed chief officer pay award of 3.5% and the proposed employer offer of an increase of £1,925 to every pay point below £49,950, with an increase of 3.88% for all other pay points covered by the Green Book pay and conditions. The assumption in the original budget for 2023/24 was a pay offer of 4% across all grades. While the employer offer has been rejected by the Trade Unions, it is highly unlikely that any further changes to the proposed award will reduce the cost to the Council. The final cost could be higher, but the employers have firmly stated that the offer on the table is a final offer.	0	258
Careline Clients with Complex Needs Equipment Installation and Maintenance Spend	52	0	(52)	The installation and maintenance of equipment service for clients with complex needs was brought in-house during the middle of the last financial year and has since been delivered by the Careline Caretech team. An ongoing annual saving of £51k against the previous contract spend budget of £103k was captured as an efficiency proposal in the preparation of the budget estimates for 2023/24. As no related cost pressures have materialised since the transition to the in-house service, the budget remaining is forecast to be unspent in this year and not required going forward.	0	(52)

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
Expenditure on Business Rates Consultants	0	50	+50	Consultants have been appointed to review the Council's business rates tax base and identify where businesses may have been missed or where circumstances have changed that would result in increased business rates income. The cost to the Council will be 10% of the increase in rateable value resulting directly from the consultants' findings. As such, while there is a cost to the General Fund from undertaking the review, the corresponding financial benefit to the Council will be realised through increased business rates income charged to the Collection Fund.	0	0
Councillor Allowances Expenditure	343	361	+18	The Members Allowance Scheme for 2023/24 was approved by Council in January and was effective from 1st April. The slightly lower cost impact in the current year, compared to the estimated ongoing impact, reflects the vacant Councillor posts prior to the May 2023 election.	0	21
Democratic Services Consultants Spend	10	0	(10)	This budget was carried forward for potential further work relating to the boundary review by the Local Government Boundary Commission for England. The Commission have since concluded their Review and have published the new ward boundaries, so no further work was required. The Council will however need to commence a Community Governance Review after the May 2024 elections and therefore a carry forward of the unspent budget is requested to contribute to the cost of this Review in the next financial year.	10	0
Leisure Centre Management Contract Fee Income	(599)	(533)	+66	<p>Considering the continuing recovery in Leisure following the Covid-19 pandemic and the prevailing steep increases in the general cost of living for users of the facilities, the annual indexation of the leisure contract for 23/24 was agreed at 4% (the management fee is linked to price increases for customers). The budget assumption was an increase of 12.6%, which was the RPI inflation measure as of September 2022, in accordance with the terms of the leisure contracts.</p> <p>A shortfall in Leisure Centre management fee income was identified as an ongoing impact of Covid-19 in 2023/24. The forecast variance is mitigated by the release of a corresponding amount from 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 2024/25 £k
Leisure Contract Procurement – Consultants Expenditure	42	76	+34	The new leisure contract requires a lease agreement to be in place between the operator and the Council for each of the leisure facilities. Due to limited Legal officer capacity internally, legal consultants have been appointed to support the Council with this work, resulting in a forecast overspend.	0	0
Waste & Recycling and Street Cleansing Contract Expenditure	6,589	6,212	(377)	Underspend variance follows the calculation of the contract inflation for 2023/24. The budget for 23/24 assumed a contract inflation of 10%, based on the respective contractual indices at that time. Mainly due to subsequent decreases in the fuel price index, the final calculation has resulted in an increase to contract prices of 3.5%. The outcome of the procurement of a new waste contract, which is currently in progress, will determine the annual resource required ongoing.	0	0
Waste Awareness and Minimisation – AFM Income from Herts County Council	(395)	(278)	+117	<p>The AFM income value is impacted by recycling performance across the County. The receipt of £278k this year compares to £125k received last year, with a relative reduction in overall waste tonnages helping to increase the total allocation made available by Herts County Council. The shortfall is due to the generally greater levels of waste generated across Hertfordshire since the onset of the Covid-19 pandemic, which 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 several years, other Councils have made more recent service changes to improve their recycling performance, which has contributed to reducing the North Herts share of the total allocation.</p> <p>AFM payments will cease from 2024/25 onwards and this is already reflected in the ongoing budget.</p> <p>Reduction in AFM income was identified as an ongoing impact of Covid-19 in 2023/24. The forecast variance is offset by the release of a corresponding amount from 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 2024/25 £k
Baldock Fire Recovery	0	2	+2	The Council has a duty under the Civil Contingencies Act to support the recovery from the Baldock Industrial Estate fire. To date, irrecoverable costs have related to a structural survey and air quality monitoring. These costs have been shared with Herts County Council. The expectation is that other costs should be met by other parties, but there is a risk that there will be costs that fall on us.	0	0
Total of explained variances	5,520	4,336	(1,184)		10	227
Other minor balances	13,478	13,543	+65		0	33
Overall Total	18,998	17,879	(1,119)		10	260

- 8.2. Cabinet are asked to approve the differences highlighted in the table above (a £1.119m decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are also asked to note the estimated impact on the 2023/24 budget, a £270k increase in budget that includes the request to carry forward £10k of unspent budget for a specific project next year, which will be incorporated in to the 2023/24 budget setting process (recommendation 2.3).
- 8.3. The original approved budget for 2023/24 (and therefore working budget) included efficiencies totalling £1.521million, which were agreed by Council in February 2023. 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 a net overachievement of £1.044million. This comprises:
- Forecast interest income from investment of surplus cash balances being greater than identified in the efficiency proposal, which was based on the Investment Strategy 2023 - 2033, as highlighted and explained in table three above. £1million overachievement.
 - The saving from bringing the Careline equipment maintenance for clients with complex needs in-house, as itemised in table three above. £52k overachievement.
 - The additional six months of rental income from a full year of letting Harkness Court will not be achieved, with the property now expected to be marketed in autumn this year. £8k underachievement.
- 8.4. The working budget for 2023/24 includes budgets totalling £1.107million 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 2022/23 but was delayed into 2023/24. At Quarter One, it is forecast that £10k of the budget carried forward will not be spent in this year. This relates to the budget carried forward for consultant costs in respect of the district ward boundary proposals, as noted in table 3.
- 8.5. Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2023/24. 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, four of the indicators are green, one indicator is amber, and one of the indicators is red. Explanation for the red indicator in respect of Leisure is included in table 3 above and, as shown in table 6, the forecast shortfall is within the corresponding provision amount included in the budget to recognise that a variance in this income stream was more likely due to the ongoing recovery following the Covid-19 pandemic. The amber indicator for income from car parking fees reflects that income recorded in the First Quarter was 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 Income	Red	(599)	(200)	(533)	66
Garden Waste Collection Service Subscriptions	Green	(1,140)	(608)	(1,140)	0
Commercial Refuse & Recycling Service Income	Green	(1,269)	(407)	(1,269)	0
Planning Application Fees (including fees for pre-application advice)	Green	(1,008)	(765)	(1,008)	0
Car Parking Fees	Amber	(2,026)	(421)	(2,026)	0
Parking Penalty Charge Notices (PCNs)	Green	(573)	(205)	(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.

Table 5 - Corporate financial health indicators – activity drivers

Indicator	Activity Measure	Performance Q1 2023/24	Performance Q1 2022/23	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits in quarter	391,666	312,679	+25.3%	
Garden Waste Collection Service	Number of bin subscriptions at end of quarter	TBC	30,392	TBC	TBC
Commercial Refuse & Recycling Service	Number of customers at end of quarter	923	965	-4.4%	
Car Parking Fees	Car park tickets sold / average ticket price sold during quarter	278,064 / £1.66	269,341 / £1.61	+3.2% / +3.1%	
Parking Penalty Charge Notices	Number of PCNs issued during quarter	3,789	3,121	+21.4%	

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 will receive in this year its share of the Council Tax and Business Rates Collection Fund surpluses for the prior year, as estimated in January 2022. As reported previously, this means contributions to the General Fund of £138k from the Council Tax Collection Fund and £452k from the Business Rates Collection Fund. While the Council Tax surplus amount of £138k is included in the funding total in table 7, the business rates surplus will be transferred to reserve and used to mitigate the impact of deficits recorded, and/or changes to the rates retention scheme, in future years. 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 surplus of £116k in respect of Council Tax and a business rates surplus of £1.729m. The difference between the January estimates and the final position will affect the calculation of the surplus / deficit for 2023/24 and hence funding available in 2024/25.
- 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. The current forecast for 2023/24 is a business rates levy liability of around £1million at the end of the financial year. The final amount payable however will depend on the actual level of business rates income collected during the year. In any case, the business rates levy payable for 2023/24 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 final amount of grant the Council can retain depends on the actual level of reliefs applied during the year. The Council currently expects to receive a total grant allocation of £4.617m for reliefs in 2023/24, which includes an amount of £482k received as compensation for the Government's previous decisions to cap the increases in the business rates multiplier. The multiplier compensation is included in the funding total in table 7 below. The rest of the grant received is held in reserve. Some of the amount held in reserve will be used to fund the business rates levy payable for this year, while a further £2million will be used to top up the business rates income charged to the General Fund in 2023/24 to the baseline funding amount anticipated when the budget was set. In addition, as shown in table 7 below, there will be the planned release of £1.144million from the reserve to the General Fund in 2023/24 to bridge the funding gap anticipated when the budget was set, as explained originally in the MTFS 2023-2033.
- 8.12. The Council does not expect to receive non-ringfenced emergency grant funding from government in 2023/24 to help mitigate the ongoing financial impacts of the Covid-19 pandemic. As detailed in the 2023/24 Revenue Budget Report presented to Full Council in February, a central provision of £450k was included in the budget for 2023/24. As explained in table 3, £290k of the allocation has been released based on the forecasts detailed at Quarter one, with the remaining £160k of the provision in respect of car parking income streams not yet allocated. As shown in table 6 below, forecast adverse variances reported at quarter one totalling £158k in 2023/24 have been mitigated by the central provision, with a further £132k of the budget provision forecast to be unused and therefore can be released to the General Fund.

Table 6 – Ongoing Covid-19 Impacts in 2023/24

Identified Ongoing Financial Impacts from Covid-19	Original Budget 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	80	+41	41	39
AFM income	210	+117	117	93
Total at Q1	290	158	158	132
Pay as you use car parking income	100			
Car park season tickets income	60			
TOTAL	450			

8.13. 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 2023)	(11,990)	(11,990)	-
Net Expenditure	18,998	17,879	(1,119)
Funding (Council Tax, Business Rates, NHB, Services Grant)	(17,394)	(17,394)	0
Funding from Reserves (including Business Rate Relief Grant)	(1,144)	(1,144)	0
Carried Forward balance (31st March 2024)	(11,530)	(12,649)	(1,119)

8.14. 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 £1,215k, and at the end of the first quarter a total of £34k has come to fruition. The identified risk realised in the first quarter relates to

- Legal team resources. Additional external expertise for assistance with the Leisure contract procurement (as highlighted in table 3 above) - £34k.

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	1,215
Known financial risks realised in Quarter 1	(34)
Remaining allowance for known financial risks	1,181

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.