

**CABINET**  
**16 January 2024**

**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: SECOND QUARTER REVENUE BUDGET MONITORING 2023/24**

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT – IAN ALBERT

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 second quarter. The forecast variance is a £450k decrease in the net working budget of £17.879million, with an ongoing impact in future years of a £316k increase, and a request to carry forward £453k of unspent budget to fund specific projects and activities in 2024/25. The most significant adverse variances relate to the provision of car parking, with a forecast increase of £392k in the net cost of operating the car parks partially offset by the release of the corresponding Covid-19 contingency budget (-£160k), and a total increase of £222k in the forecast net spend on recycling services. These have been offset by in-year changes to staffing spend (-£167k) and treasury investment interest income (-£413k), and underspends on Planning Services projects (-£255k). It is requested that the Planning Services projects underspend is carried forward to be spent in the next financial year. Explanations for these and all other significant variances are provided in table 3.

**2. RECOMMENDATIONS**

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the adjustments to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a £450k 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 £769k 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 13 October 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 Two, the working budget has reduced to £17.879million. 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)
First Quarter Revenue Monitoring 2023/24 report - 2023/24 variances approved by Cabinet (September 2023)	(1,119)
<b>Current Working Budget</b>	<b>17,879</b>

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed from the budget allocations published in the Quarter One revenue monitoring report.

**Table 2 – Service Directorate Budget Allocations**

Service Directorate	Working Budget at Quarter One	Changes approved at Q1 2023/24	Other Budget Transfers in Q2	Current Net Direct Working Budget
	£k	£k	£k	£k
Managing Director	774	(1,280)	(7)	(513)
Customers	4,113	138	0	4,251
Enterprise	2	56	0	58
Legal & Community	2,760	31	9	2,800
Place	6,201	(145)	0	6,056
Regulatory Services	2,147	58	(1)	2,204
Resources	3,001	23	(1)	3,023
<b>TOTAL</b>	<b>18,998</b>	<b>(1,119)</b>	<b>0</b>	<b>17,879</b>

- 7.3. The Council's accounts for the last financial year remain subject to External Audit examination. At the time of writing this report the 2022/23 Final Accounts audit is yet to commence. Changes required to the opening General Fund balance may therefore arise from 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 (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	(2,602)	(3,015)	(413)	Increase in forecast interest income is primarily due to higher than anticipated available cash balances, in part due to the reprofiling of capital expenditure. This also allowed the slightly longer-term (6-9 month) treasury investments that matured during the quarter to be reinvested at a higher interest rate. 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	160	0	(160)	Release of remaining provision to mitigate the forecast adverse variances relating to car parking income streams, as highlighted both in this table and table 6 of this report.	0	0
Customers Directorate Staffing Costs	6,007	5,889	(118)	Forecast underspend is due to a higher level of vacancies in the Revenue & Benefits and IT service areas. Temporary IT staff have been recruited on fixed term 12-month contracts to backfill the vacant posts and progress projects. It is therefore requested that some of the unspent budget in this year is carried forward to fund the period of their contracts falling in the next financial year.	49	0
Postage Costs	200	261	+61	Forecast overspend reflects both higher overall postage volumes than the budget assumption and a higher proportion of outbound mail sent first class. The new hybrid mail contract will however reduce unit prices for postage by approximately one third when it starts on the 1st of December, while the integration of a new SMS and email alert system in the new financial year should help reduce postage volumes in future years.	0	0
Cashiers Software Costs	46	3	(43)	Council approved an investment of £43k in 2023/24 for an upgrade to the current telephone payment system to bring back in-house waste service telephone payments. The software upgrade is however no longer necessary as the Council's recently procured TechnologyOne finance system, which will be installed and live by August 2024, will provide the functionality required.	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
Enterprise Consultants	44	11	(33)	The consultants' budget will not be spent this year mainly due to the focus on the Churchgate project, while the pursuit of other opportunities have to date not required the assistance of a consultant. It is requested that the forecast unspent budget is carried forward as there will be upcoming consultancy spend relating to the Economic Development and Tourism strategic delivery, and potentially a Solar for Business scheme, which is a piece of work already underway alongside West Suffolk Council.	33	0
Estates Consultants - Royston Town Hall Annexe	20	0	(20)	The impact of staff turnover in the Estates team during this year means that an architect will not be appointed in this financial year to undertake consultancy on the repurposing and redevelopment of Royston Town Hall Annexe. It is therefore requested that this unspent investment budget is carried forward to fund this activity in the next financial year.	20	0
Riverside hub footpath repair and maintenance	26	0	(26)	This revenue investment budget is requested to be carried forward as works are unlikely to take place in this financial year. The Council is currently waiting for the landowner's representatives to confirm that they are in favour of the proposals put forward.	26	0
Museum Storage Project	70	0	(70)	Options for a museum storage solution are currently being explored and any capital works will not commence in this financial year. As such it is requested that the associated revenue budget, originally identified for the costs of transfer and temporary storage while a new facility is constructed, is carried forward.	70	0
Leisure Centre Management Contract Procurement – Legal and Consultants Fees	76	112	+36	Further legal and consultancy support was required during the quarter, increasing the projected spend by £17k. With the procurement exercise straddling two financial years, the rest of the forecast variance at Q2 is due to more of the consultant's activities being undertaken and charged to this financial year, as opposed to the prior year, than originally estimated in the budget. This resulted in an underspend variance of £19k being recorded in the prior year and a corresponding overspend variance in this financial year.	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
Commercial Waste and Recycling						
Income from residual refuse collections	(1,141)	(1,103)	+38	While the number of customers grew slightly during the first half of the year, as shown in table 5 of this report, average revenue per customer, after removing the impact of price changes, has fallen compared to the prior year. This would indicate some rationalisation of the services ordered, perhaps due to the tougher economic climate or firms seeking to reduce the environmental impact of their operations. Amongst the trade customers there has been a shift to commercial recycling following some marketing activity. A reduction in trade waste income was identified as a financial risk when the budget was approved in February 2023.	0	38
Income from recycling collections	(128)	(142)	(14)		0	(14)
<b>Total</b>	<b>(1,269)</b>	<b>(1,245)</b>	<b>+24</b>		<b>0</b>	<b>24</b>
Income from the sale of paper collected for recycling	(163)	(92)	+71	Shortfall in budgeted income is a combination of both a significant fall in the prices achieved for the sale of the paper during the second quarter and the continued decline in the overall volumes of paper collected, with the annual tonnage total currently forecast to reduce by approximately 20% compared to the prior year. This was identified as a financial risk when the budget for 2023/24 was approved in February.	0	71
Commingled recycling – processing and haulage costs	381	494	+113	The cost of processing and haulage had an inflationary uplift of 10% applied from May this year, equating to a forecast additional cost of around £100k. The budget assumption was that changes to these costs would be mitigated by increases in sale prices obtained for the materials. This has not happened and the material values are actually decreasing. This was identified as a financial risk when the budget was approved in February.	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
Commingled recycling – income from recycling credits from Herts County Council	(613)	(575)	+38	Lower forecast recycling credits income indicates the continuing fall in volumes of commingled materials collected from domestic properties since the peak during the Covid-19 pandemic. The budget assumed an annual tonnage for this year of around 11,200 tons, equivalent to the experience in 2021/22, but the current forecast is a total of approximately 10,500 tons. This is likely to be in part due to the cost-of-living increases, with residents reducing their consumption accordingly, but may also follow from some producers reducing packaging size and weight in response to legislative requirements linked to Extended Producer Responsibility and the increased fees levied on producers to cover the full cost of disposing of packaging waste.	0	38
Building Control – applications for disabled facilities	53	88	+35	Building Regulation applications providing facilities for disabled persons are exempt from fees. Instead, the Council must reimburse the fee to Hertfordshire Building Control. The increase in the number of applications mirrors the trend in applications for Disabled Facilities Grants. This was identified as a financial risk when the budget for 2023/24 was approved in February.	0	0
Planning Public Enquiry Expenses	0	79	+79	Forecast outturn indicates the cost of planning consultants and barrister fees associated with the public enquiry called by the secretary of state regarding an application received for a solar farm in Great Wymondley. The risk of additional costs materialising from a challenge to a Council decision was identified as a financial risk when the budget for 2023/24 was approved in February.	0	0
Electric Vehicle (EV) Charging Points project – expenditure on consultants	65	0	(65)	Consultant expertise is not expected to be required for the first phase of this project, which will see additional EV charging points installed and operational at Letchworth Garden Square multi-storey car park. The unspent budget is requested to be carried forward for consultants to assist with the second phase of the project, which will involve identifying and evaluating potential locations for EV charging points across the district, in consultation with Herts County Council.	65	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
Town Centre Strategies – expenditure on consultants	120	70	(50)	Progress on delivery has been hindered by three unsuccessful attempts at recruiting a Town Centre planning officer. Retail consultants have been appointed to prepare the necessary background evidence base for the preparation of an overarching Town Centre Strategy. The remainder of the budget is requested to be carried forward to finance the preparation of the individual town centre action plans following completion of the Town Centre Strategy.	50	0
Local Plan Supplementary planning documents – expenditure on consultants	167	87	(80)	A programme of work is ongoing with a draft Sustainability SPD being presented to Cabinet in December. This is being prepared in house and, to date, has not incurred any external costs. External costs will be incurred in relation to the remaining SPDs (Biodiversity SPD and Design Code SPD). These have been delayed due to staffing capacity and, moreover, the need to wait for relevant legislation and Government guidance. At this stage it is requested that approximately half the budget is carried forward into 2024/25 to fund the SPD work expected to fall in next year.	80	0
Local Plan Post Adoption review – expenditure on consultants	116	56	(60)	Budget bids were approved by Full Council in February 2022 and February 2023 to support work on an early review of the Local Plan. The narrative supporting the budget bids identified that, where in-year underspends occur, carry forwards of the unspent budget would be required to help mitigate or reduce further growth bids when a new Local Plan reaches key points (e.g., pre-submission and examination). This will require significant financial resource in respect of full, up-to-date evidence bases, legal support and inspection costs. There is expected to be some expenditure in this financial year, with £60k requested to be carried forward into 2024/25.	60	0
Car Parking – card payment transaction charges	34	105	+71	The shift to paying for car parking with a credit or debit card, either via PaybyPhone or the chip and pin facility at the parking machine, has continued in this financial year. The costs associated with electronic payments, which include a software processing charge as well as a bank charge for each transaction, have therefore increased as a result.	0	71

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
Car park season ticket income	(325)	(182)	+143	<p>Income recorded in the first half of the year is very similar to that recorded for the first half of the last two financial years and represents around 50% of the budget estimate for the equivalent period, which was based on activity prior to the Covid-19 pandemic. The shortfall is attributed to greater levels of home working, with several of the bigger local businesses operating in North Herts either ceasing season ticket purchases or significantly reducing the number purchased. With the recovery in season ticket sales appearing to have reached a plateau, a permanent adjustment to the budget expectation is recommended.</p> <p>A shortfall in car park season tickets income was identified as an ongoing impact of Covid-19 in 2023/24. The forecast variance in the current year is partially mitigated by the release of the allotted £60k from the central Covid-19 impacts provision.</p>	0	143
Car parking pay-as-you-use income	(2,026)	(1,848)	+178	<p>Overall parking ticket sales in the first half of the year were only slightly higher than the first half of last year, meeting around 90% of the budget expectation, which was based on activity prior to the Covid-19 pandemic. This income shortfall may also be in part a consequence of greater levels of homeworking, with the reduction in daily commuters increasing the availability of free on-street parking and hence reducing the need for motorists to pay for parking at the Council's car parks. This will be monitored over the Christmas period for any further recovery, but it is looking like it will be necessary for a permanent budget adjustment as part of the 2024/25 budget setting process.</p> <p>A shortfall in this income stream was identified as an ongoing impact of Covid-19 in 2023/24. The forecast variance in the current year is partially mitigated by the release of the allotted £100k from the central Covid-19 impacts provision.</p>	0	0
Car parking penalty charge notices income	(573)	(683)	(110)	<p>The number of penalty charge notices issued in the first half of the year was ahead of the budget expectation, with the team of Civil Enforcement Officers managing higher levels of traffic offences in the town centres and more inconsiderate parking around leisure facilities in the summer months.</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
Resources Directorate staffing costs	1,588	1,539	(49)	Forecast underspend is indicative of a higher than anticipated level of staff turnover, namely due to several retirements occurring during the year.	0	0
<b>Total of explained variances</b>	<b>1,602</b>	<b>1,154</b>	<b>(448)</b>		<b>453</b>	<b>347</b>
Other minor balances	16,277	16,275	(2)		0	(31)
<b>Overall Total</b>	<b>17,879</b>	<b>17,429</b>	<b>(450)</b>		<b>453</b>	<b>316</b>

- 8.2. Cabinet are asked to approve the differences highlighted in the table above (a £450k 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 £769k increase in budget that includes the request to carry forward £453k of unspent budget for specific projects 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 forecast at the end of Quarter One was a net overachievement of £1.044million. The current forecast at the end of Quarter Two is a net overachievement of £1.457million. The increase of £413k relates to the 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.
- 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 was forecast that £10k of the budget carried forward will not be spent in this year. This related to the budget carried forward for consultant costs in respect of the district ward boundary proposals. At Quarter Two it is forecast that £228k will not be spent in this year. The increase of £218k relates to budgets carried forward for:
- Enterprise consultants. £18k of the £29k carried forward will not be spent this year and is requested to be carried forward again, as detailed in table 3 above.
  - Storage Costs associated with the museum. The £30k budget carried forward will not be spent this year and is requested to be carried forward again, as explained in table 3 above.
  - Electric vehicle charging points. The £60k carry forward budget is not required in this year and is requested to be carried forward again, as explained in table 3 above.
  - Supplementary planning documents supporting the Local Plan. £80k of the £167k carry forward budget is forecast to be unspent and is requested to be carried forward again, as highlighted and explained in table 3.
  - Town Centre Strategy Reviews. £10k of the £80k budget carried forward will not be spent in this year and is requested to be carried forward again, as detailed in table 3 above.

- Repairs and maintenance spend. £20k of the £24k budget carried forward will not be spent in this year (variance included within the total variance for 'other minor balances' in table 3 above). The budget was originally identified to fund several maintenance jobs but upon further review it has been concluded that most of these jobs are not urgently required.
- 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 were green, one indicator was amber, and one of the indicators was red. At the end of Quarter Two, two of the indicators are green, one is amber and three are red. The red indicator in respect of Leisure management fee income was highlighted at Quarter One, with the forecast shortfall within the corresponding provision amount included in the budget, as shown in table 6 below, to recognise that a variance in this income stream was more likely due to the ongoing recovery following the Covid-19 pandemic.
- 8.7. The amber indicator for income from car parking fees reported at Quarter One has changed to red at Quarter Two, with the income variance highlighted and explained in table 3. A variance in this income stream was more likely due to the ongoing recovery following the Covid-19 pandemic, with the release of the corresponding provision included in the budget partially mitigating the impact on the projected General Fund balance, as shown in table 6 below.
- 8.8. The indicator for income from the Commercial refuse and recycling service has changed from green at Quarter One to red at Quarter Two, with the forecast variance itemised and explained in table 3.
- 8.9. The status of income from planning applications has changed from green at Quarter One to amber at Quarter Two. This reflects that forecast income based on planning activity in the first half of the financial year is below the budget expectation. A higher level of activity in the remainder of the year may mean that the income anticipated in the budget is ultimately met, but there is a risk that the budget will not be achieved.

**Table 4 - Corporate financial health indicators**

<b>Indicator</b>	<b>Status</b>	<b>Original Budget £k</b>	<b>Actual to Date £k</b>	<b>Projected Outturn £k</b>	<b>Variance £k</b>
Leisure Centres Management Fee Income	Red	(599)	(300)	(533)	66
Garden Waste Collection Service Subscriptions	Green	(1,140)	(587)	(1,140)	0
Commercial Refuse & Recycling Service Income	Red	(1,269)	(694)	(1,245)	24
Planning Application Fees (including fees for pre-application advice)	Amber	(1,008)	(898)	(1,008)	0
Car Parking Fees	Red	(2,026)	(872)	(1,848)	178
Parking Penalty Charge Notices (PCNs)	Green	(573)	(371)	(683)	(110)

8.10. 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 Q2 2023/24	Performance Q2 2022/23	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits in quarter	833,863	742,388	+12.3%	
Garden Waste Collection Service	Number of bin subscriptions at end of quarter	28,275	24,019	+17.7%	
Commercial Refuse & Recycling Service	Number of customers at end of quarter	1,005	995	+1.0%	
Car Parking Fees	Car park tickets sold / average ticket price sold during quarter	578,109 / £1.67	566,547 / £1.61	+2.0% / +3.8%	
Parking Penalty Charge Notices	Number of PCNs issued during quarter	3,789	3,121	+21.4%	

### **FUNDING, RISK AND GENERAL FUND BALANCE**

8.11. 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 2023 of the amount of New Homes Bonus and Services Grant it could expect to receive in 2023/24 and planned accordingly.

8.12. 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 2023. 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.

8.13. At Quarter Two a very small deficit on the Council Tax Collection Fund is projected at the end of this financial year. The £23k deterioration in the position in the final quarter of the last financial year, as reported previously, is almost entirely offset by an estimated surplus of £22k for this financial year.

8.14. The current forecast for the Council's share of the Business Rates Collection Fund at the end of this year is an overall surplus position of around £1m. This is primarily due to the actual surplus recorded for 2022/23 being £1.276m higher than was estimated in January 2023, as previously detailed and explained in the Revenue Budget Outturn 2022/23 report. The in-year position is therefore a forecast deficit of approximately £300k.

- 8.15. The Council must pay a business rates tariff to central government as its income from business rates is higher than the level of its assessed funding need, as determined by central government. For 2023/24, the tariff amount was set at £15.3million. However, with a new business rates revaluation undertaken and effective from April 2023, the Government is seeking to ensure that, as far as practicable, a local authority's retained business rates income is no more or no less than it would have been had the revaluation not taken place, as the outcome of the revaluation and the consequent impact on rates income is outside of the Council's control. The 'smoothing' of the income will be achieved through adjusting the tariff amount payable to government. The outcome for North Herts Council is estimated to be the retention of around an extra £250k of business rates income in 2023/24. The final figure will be confirmed when the Local Government finance settlement for 2024/25 is published later this year so, at the time of writing this report, no assumption of additional funding is made in table 7.
- 8.16. The Council is also subject to a business rates levy from Central Government as it collects more in business rates than the baseline level 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.
- 8.17. 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 is 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.
- 8.18. 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 shown in table 6, at Quarter One adverse forecast variances totalling £158k were mitigated by the provision and a further £132k was forecast to be unused. Based on the forecasts at Quarter Two detailed in table 3, adverse variances in respect of car parking income streams totalling £321k in 2023/24 have been partially mitigated by the corresponding provision of £160k. This overall forecast financial impact in this year is therefore £479k, exceeding the provision made in the budget by £29k.

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

<b>Identified Ongoing Financial Impacts from Covid-19</b>	<b>Original Budget Provision</b>	<b>Forecast variance</b>	<b>Shortfall in original provision / (provision amount unused)</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>
Leisure Centre management fee income	80	+41	(39)
AFM income	210	+117	(93)
<b>Total at Q1</b>	<b>290</b>	<b>158</b>	<b>(132)</b>
Pay as you use car parking income	100	+178	78
Car park season tickets income	60	+143	83
<b>Total at Q2</b>	<b>160</b>	<b>321</b>	<b>161</b>
<b>TOTAL 2023/24</b>	<b>450</b>	<b>479</b>	<b>29</b>

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

**Table 7 – General Fund impact**

	<b>Working Budget</b>	<b>Projected Outturn</b>	<b>Difference</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>
<b>Brought Forward balance (1<sup>st</sup> April 2023)</b>	<b>(11,990)</b>	<b>(11,990)</b>	<b>-</b>
Net Expenditure	17,879	17,429	(450)
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
<b>Carried Forward balance (31<sup>st</sup> March 2024)</b>	<b>(12,649)</b>	<b>(13,099)</b>	<b>(450)</b>

8.20. 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 second quarter a total of £408k has come to fruition. The identified risks totalling £374k realised in the second quarter relate to:

- Recycling services. Increase in the overall net cost. Significant component impacts highlighted and explained in table 3 above - £222k.
- Income from the trade refuse service, as highlighted in table 3 above - £38k.
- Planning public enquiry. Costs associated with the challenge to the decision of the Council, as explained in table 3 above - £79k.

- Disabled adaptations to properties. Increased level of fee exempt Building Control applications for which the Council must reimburse the fee to Hertfordshire Building Control, as highlighted in table 3 above - £35k.

**Table 8 – Known financial risks.**

	<b>£'000</b>
<b>Original allowance for known financial risks</b>	<b>1,215</b>
Known financial risks realised in Quarter 1	(34)
Known financial risks realised in Quarter 2	(374)
<b>Remaining allowance for known financial risks</b>	<b>807</b>

## **9. LEGAL IMPLICATIONS**

- 9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.7.8 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. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2. 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.