

**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: REVENUE BUDGET OUTTURN 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 at the end of the financial year 2023/24. The net outturn of £16.494million represents a £194k decrease from the net working budget of £16.688million. Explanations for all the significant variances are provided in table 4. There are corresponding requests to carry forward £487k of unspent budget to fund specific projects that will now take place or continue into 2024/25. There is a further forecast impact on the 2024/25 base budget of a £147k increase.

**2. RECOMMENDATIONS**

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves a decrease of £194k in the 2023/24 net General Fund expenditure, as identified in section 8, to a total of £16.494million.
- 2.3. That Cabinet approves the adjustments to the 2024/25 General Fund budget, as identified in table 4 and paragraph 8.3, a total £634k increase in net expenditure.

**That Cabinet recommends to Council**

- 2.4. That Council approves the net transfer to earmarked reserves, as identified in table 9, of £2.028million.

**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.
- 3.2. Changes to the Council's balances are monitored and approved.

**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 28<sup>th</sup> May 2024.

## 7. BACKGROUND

- 7.1. Council approved the revenue budget for 2023/24 of £18.496million in February 2023. As at the end of the financial year, the working budget has reduced to £16.688million. Table 1 below details the approved changes to this budget to get to the current working budget:

**Table 1 - Current Working Budget**

	<b>£k</b>
Original Revenue Budget for 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)
Second Quarter Revenue Monitoring 2023/24 report - 2023/24 variances approved by Cabinet (January 2024)	(475)
Month 8 revenue monitoring included within 2024/25 budget report – 2023/24 variances approved by Cabinet (February 2024)	(301)
Quarter 3 2023/24 Revenue Monitoring report - 2023/24 variances approved by Cabinet (March 2024)	(415)
<b>Current Working Budget</b>	<b>16,688</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 original net direct budget allocations for 2023/24.

**Table 2 – 2023/24 Service Directorate Budget Allocations**

	Managing Director	Customers	Enterprise	Legal & Community	Place	Regulatory Services	Resources	Total
	£k	£k	£k	£k	£k	£k	£k	£k
<b>Original Budget</b>	<b>490</b>	<b>4,298</b>	<b>(87)</b>	<b>2,658</b>	<b>6,132</b>	<b>2,079</b>	<b>2,926</b>	<b>18,496</b>
Q3 2022/23	400	(5)	16	0	57	53	28	549
Outturn 2022/23	97	(205)	25	22	(1)	15	0	(47)
<b>Budget at start of 2023/24</b>	<b>987</b>	<b>4,088</b>	<b>(46)</b>	<b>2,680</b>	<b>6,188</b>	<b>2,147</b>	<b>2,954</b>	<b>18,998</b>
Q1 2023/24	(1,280)	138	56	31	(145)	58	23	(1,119)
Q2 2023/24	(573)	(67)	(161)	(29)	327	111	(83)	(475)
Month 8 2023/24	0	(320)	5	0	0	9	5	(301)
Q3 2023/24	(33)	(132)	(22)	15	58	(225)	(76)	(415)
Other Changes	(496)	38	99	188	78	117	(24)	0
<b>Current Budget</b>	<b>(1,395)</b>	<b>3,745</b>	<b>(69)</b>	<b>2,885</b>	<b>6,506</b>	<b>2,217</b>	<b>2,799</b>	<b>16,688</b>

## 8. RELEVANT CONSIDERATIONS

- 8.1. Cabinet are asked to approve the net expenditure on the General Fund in 2023/24 of £16.494million (recommendation 2.2). This is a net decrease of £194k on the working budget of £16.688million. Table 3 below confirms the net expenditure for each Service Directorate and the variance with the current working budget. The major changes reported during the year are recorded at Appendix A.

**Table 3 - 2023/24 Revenue Outturn by Service Directorate**

Directorate	Net Direct Working Budget	Net Direct Outturn*	(Under) / Overspend
Managing Director	(1,395)	(1,549)	(154)
Customers Directorate	3,745	4,065	320
Enterprise Directorate	(69)	53	122
Legal & Community Directorate	2,885	2,835	(50)
Place Directorate	6,506	6,450	(56)
Regulatory Services Directorate	2,217	1,897	(320)
Resources Directorate	2,799	2,743	(56)
<b>TOTAL</b>	<b>16,688</b>	<b>16,494</b>	<b>(194)</b>

\* Directorate outturn totals exclude year-end finance lease accounting entries. These entries have a net zero impact on the Council's General Fund, but their inclusion would distort the Directorate performance indicated in the table. During the year, part of the Regulatory service was split off in to Housing and Environmental Health. For consistency over the year this is still shown under the overall Regulatory heading.

8.2. Table 4 below highlights and explains 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) revenue budget.

**Table 4 - Summary of significant variances**

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
<b>Managing Director</b> Strategic Priorities Fund	76	0	(76)	This fund was created to enable short-term investments in Council priorities, including testing out new ideas and where there is an invest-to-save opportunity. There are amounts committed in future years to cover community engagement software, improving automation of waste charging and maintaining the Social Value Portal.	76	0
<b>Managing Director</b> Staffing Costs Carry Forward	25	0	(25)	Underspend represents unallocated balance of the £300k of staffing underspend in 2022/23 carried forward to 2023/24 to create capacity to deliver Council projects and priorities and improve resilience. The allocation of the carry forward budget was detailed in the delegated decision notice published in June 2023.  It is requested to carry this forward to provide external support for the setting of the new Council Plan.	15	0
<b>Managing Director</b> External Audit Fees	65	187	+122	Increase in External Audit fees is indicative of the additional work required from External Auditors to meet regulatory and compliance audit requirements, with amendments to auditing standards and changes to the requirements in respect of the Value for Money assessment. Estimated ongoing impact is based on the published audit scale fee of £150k for 2023/24 and the most recent quote for the housing benefit subsidy audit.	0	107
Redmond Review Local Audit Grant	0	(21)	(21)	The Council was notified in May 2024 of its allocation of the Redmond Review Local Audit Grant for 2023/24. The grant is intended to support authorities with the additional audit fees associated with the implementation of the recommendations of the Redmond review. It had been hoped that it would provide a greater contribution towards the additional costs. While external audit fees are not expected to reduce going forward, there is currently no basis for assuming that this grant contribution will continue in future years.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
<b>Managing Director</b> Income Receipts held in the suspense account	0	(49)	(49)	Outturn represents income received in the Council's bank account more than 18 months ago where it has since not been possible to allocate the funds due to there being no reference or details. Should a business or individual come forward with evidence of payment at some point in the future, the income receipt will be reallocated accordingly.	0	0
<b>Managing Director</b> Joint Waste Contract with East Herts DC - Overhead Charging	0	(65)	(65)	As part of the operation of the joint waste contract, an annual contribution has been expected to be paid to East Herts for the use of the Buntingford office and recycling shed, while an annual contribution has been expected from East Herts for the support services and management costs associated with the client team operated by North Herts as the lead administrative authority for the contract. The estimated annual income and liability amounts have been prudently accrued in recent years. Given the similar amounts due to and from East Herts, it is proposed to cease accruing for these charges with a view to reassessing the position when the new contract commences in May 2025.	0	0
<b>Customers</b> IT Staffing Costs	574	554	(20)	A carry forward of salary underspend was requested at Quarter Two to fund the costs in 24/25 of two additional fixed term posts to cover IT staff working on projects. At the time it was anticipated these posts would be recruited during the final quarter of 23/24, however due to other priorities the posts were not advertised before April. It is therefore requested to carry forward a further £20k of unspent salary budget to fund the additional months of the two posts now falling in 2024/25.	20	0
<b>Customers</b> Careline Telephony Upgrade	134	102	(32)	The project to replace the current ISDN phone lines with SIP (Session Initiation Protocol) lines, as the ISDN lines are now obsolete and telecommunications firms are phasing them out, was due to commence in 23/24. The project however has been delayed due to supplier delays and wider hardware supply issues. It is requested to carry forward the unspent budget into 2024/25 to fund those project costs that will now fall in the next financial year.	32	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
<b>Customers</b> Careline Service – income contributions from Hertfordshire County Council (HCC)	(2,906)	(2,934)	(28)	Increase in this income stream is due to an increase in the number of client referrals received from HCC.	0	0
<b>Customers</b> Contribution to the sundry debtors bad debt provision	10	110	+100	The higher contribution required to the bad debt provision is primarily due to the ageing of an outstanding commercial property debt. The debt was originally raised following a rent review, the outcome of which is disputed by the tenant. The ageing of the debt has increased the level of provision required to 75% of the amount raised. Officers are seeking to resolve the dispute as soon as possible.	0	0
<b>Customers</b> Housing Benefit Overpayments income	(275)	(193)	+82	Reduction in overpayments income raised in year is attributed to a combination of both the fall in the total amount of housing benefits paid, reducing by more than 25% over the last two years as working age housing benefit claimants migrate to the Universal Credit scheme, and ongoing improvements to systems and processes helping to minimise overpayment values.	0	82
<b>Customers</b> Contribution to the Housing Benefit Overpayments bad debt provision	50	326	+276	Where working age Housing Benefit clients have migrated to Universal Credit (UC), administered by the DWP, the Council can no longer collect overpayments debt from deductions to ongoing housing benefit payments. This has contributed to a reduction in overpayments debt collected during the year and an increase in the provision required. The Council has the option to apply for UC deductions, however other debts such as Council Tax and utility bills take priority with overpayments 13th on the list of debts to be repaid, and the Council can also apply for deductions from earnings via HMRC, however only a prescribed amount can be taken, which is dependent on salary.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
<b>Enterprise</b> Net Income from North Herts Community Lottery	(3)	(12)	(9)	Income from the lottery in 2023/24 has surpassed that expected in the original business case. The Council receives 10p from every ticket sold and a further 50p from each ticket where North Herts Community Lottery Fund has been selected as the chosen good cause. North Herts Council has paid out more than £45k in 2023/24 to local good causes via the Community Forums, with the allocation of an extra £25k to Community Forum budgets approved by Council in February to support local good causes in 2024/25.	0	0
<b>Enterprise</b> Net Rental Income from Churchgate Shopping Centre	(224)	(133)	+91	Shortfall on anticipated net income is mainly due to related expenditure exceeding the provision in the budget. Significant items of expense include repairs and maintenance required at the premises, the business rates liability for vacant units, and the calculated contribution required from the General Fund to the bad debt provision for rental debts outstanding at the end of the year.	0	0
<b>Legal &amp; Community</b> Community Forum Grants Expenditure	47	39	(8)	The carry forward of £7.9k of unspent Community Forum budgets is requested. This total is comprised of £2.1k for Hitchin, £2.2k for Baldock, £2.9k for Southern Rural and £0.7k for Letchworth.	8	0
<b>Legal &amp; Community</b> Legal Services Income	(35)	(74)	(39)	Surplus income reflects primarily a significant increase in the number of instructions received by Legal during the year. The growth in instructions has been driven by the Council's commercial and Estates activities, with the legal team raising income for work undertaken in respect of, for example, the sale of land, the lease of land, licences to sublet or licenses to change use.	0	0
<b>Legal &amp; Community</b> Community Safety Grant Funded Projects	13	4	(9)	Unspent expenditure budget on Community Safety Initiatives is requested to be carried forward to fund activities planned for 2024/25.	9	0
<b>Place</b> Waste Management IT Systems integration	20	0	(20)	The work on the integration of waste management IT systems and online reporting for residents has not yet begun pending the award of the new waste contract. The underspend is therefore requested to be carried forward to complete this work in the next financial year.	20	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
<b>Place</b> Garden Waste Collection Service Income	(1,211)	(1,244)	(33)	Overachievement of income is indicative of a higher number of subscribers to the service than anticipated in the budget estimates. This may be due to the extended 18-month subscription period offering enhanced value to residents.	0	0
<b>Place</b> Leisure Consultants	111	100	(11)	The unspent budget is requested to be carried forward to cover the professional fees anticipated in the next financial year related to the final minor amendments and land searches requested for the leases for the new leisure centre management contract.	11	0
<b>Place</b> Leisure Management Contract Fee Income	(533)	(775)	(242)	Under the terms of the Leisure contract in 2023/24 the risk in respect of energy costs was shared between the Council and the leisure contractor SLL, with the Council responsible for energy costs over and above a base level. Based on procured energy prices and anticipated energy consumption, the contract income budget total was reduced by an estimated energy cost liability of £240k. The liability value payable will however be calculated using actual energy usage. With the actual value currently unknown, it is proposed that the £240k is transferred to earmarked reserve and used to mitigate the impact of any agreed liability ultimately payable in the next financial year.	0	0
Transfer to earmarked reserve	0	240	+240		0	0
<b>Place</b> Climate Change and Sustainability Consultants	75	57	(18)	The unspent budget is requested to be carried forward to fund the delivery of both an updated emissions assessment to track progress towards our 2030 net zero target and climate change projects aligned with our Climate Change Strategy.	18	0
<b>Regulatory</b> Planning Policy Staffing	556	507	(49)	Underspend is due to the use of DEFRA biodiversity grant to fund the cost of the Senior Ecologist post in 2023/24 rather than the existing salary budget provision. It is requested that the unspent budget is carried forward to extend various agency workers contracts to vacancies where recruitment has been unsuccessful.	49	0



Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
<b>Housing and Env Health (shown under Regulatory)</b> Environmental Health Staffing	313	213	(100)	Covid Recovery Grant of £100k from the Health Protection Board at HCC has been used to fund Environmental Health staff carrying out Covid recovery work, resulting in an underspend on the existing staffing budget. It is requested that the unspent staffing budget is carried forward to fund the costs of a proposed 4-year Environmental Health Officer Apprentice post, to be appointed prior to the forthcoming academic year.	100	0
<b>Regulatory</b> Town Centre Strategies	30	20	(10)	Retail consultants have been appointed on a six-month contract to prepare the necessary background evidence for the preparation of an overarching Town Centre Strategy. The consultants have started the work and are in the process of evidence gathering with the aim of producing a draft Town Centre & Retail study by May/June this year. The £10k of unspent budget is therefore requested to be carried forward to fund the completion of the study in the next financial year.	10	0
<b>Regulatory</b> Hitchin Rail Station Eastern Access Project	30	9	(21)	Hertfordshire County Council have been leading on this project and have employed consultants to undertake an options appraisal, with North Herts Council contributing to the cost. The remainder of the £30k investment budget is anticipated to be required in working with Network Rail and HCC in refining the options in 2024/25 and therefore the carry forward of the unspent revenue investment budget is requested.	21	0
<b>Regulatory</b> Supplementary Planning Documents	37	23	(14)	An update on the programme of work for supplementary planning documents (SPDs) to support the adopted Local Plan was included in the Strategic Planning Matters report presented to Cabinet in March 2024. Following successful recruitment, preparatory work on a District-Wide Design Code SPD has begun with an initial pilot project in Hitchin. Work on this project will be progressed further in 2024/25 and it is requested that the unspent budget is carried forward to support this.	14	0
<b>Regulatory</b> Extension of the Chilterns Area Of Outstanding Natural Beauty (AONB)	10	0	(10)	The timetable for the AONB review is controlled by Natural England and not by the Council. Natural England have advised formal consultation on the AONB proposals is currently planned for Spring 2024. The £10k revenue investment budget is therefore requested to be carried forward.	10	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
<b>Regulatory (managed by Place)</b> Highways Verge Maintenance	297	261	(36)	Underspend variance is due to the implementation of reduced mowing regimes in accordance with the standards within the agency agreement with Herts Highways.	0	0
<b>Regulatory</b> Parking Lines and Signs maintenance	51	12	(39)	Budget was earmarked for the replacement and upgrading of the tariff boards associated with both the project to install electric vehicle charging points across the Council's car parks and with the alternative methods of payment project. Suppliers have now been appointed for both projects and the implementation work on both will commence in the next financial year 2024/25. It is therefore requested that the unspent budget is carried forward to support the implementation.	39	0
<b>Regulatory (managed by Resources)</b> Letchworth Multi-Storey Car Park lighting	25	0	(25)	With lighting failures becoming more frequent, the options for alternative light fittings have been investigated during the year. Costs are now anticipated for consultant lighting designers to evaluate the proposed lighting changes, trial the replacement fittings on suitable areas, and the preparation of a specification for the potential replacement of all the existing lighting at the car park. A carry forward of the unspent revenue investment budget is therefore requested to fund these costs in the next financial year.	25	0
<b>Regulatory</b> Contribution to Parking PCN bad debt provision	162	229	+67	A higher level of PCNs being issued, and non-payment of them, has meant that it has been necessary to write-off some of the amounts owed and also make an increased bad debt provision for those amounts where still seeking payment to be made. The Council actively chases all PCN debts and write-off is a last resort.	0	0
<b>Resources</b> CCTV Maintenance and Monitoring	136	107	(29)	The Council's contribution to the running costs of the Hertfordshire CCTV Partnership is based on the number of cameras monitored in the district as a proportion of the total number of cameras maintained by the Partnership. With other authorities in the Partnership increasing the number of cameras in their localities, this has meant a relative reduction in the contribution required from North Herts Council.	0	(29)

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
<b>Resources</b> Social Value Portal	11	8	(3)	The Social Value portal has been implemented and maintained on a three-year contract at a cost of £8k per annum, with the expenditure budget for the cost of the portal originating from one-off Brexit transition grant received. It is requested that the unspent expenditure budget is carried forward to contribute to the cost of the portal in 2024/25, with the remaining budget required in the next financial year coming from the Strategic Priorities Fund.	3	0
<b>Total of explained variances</b>	<b>(2,329)</b>	<b>(2,392)</b>	<b>(63)</b>		<b>480</b>	<b>160</b>
Other minor balances	19,017	18,886	(131)		7	(13)
<b>Overall Total</b>	<b>16,688</b>	<b>16,494</b>	<b>(194)</b>		<b>487</b>	<b>147</b>

8.3. Cabinet are asked to approve the estimated impact on the 2024/25 budget, an overall increase in budget of £634k (recommendation 2.3), which comprises;

- £487k of budget carry-forwards from 2023/24 to 2024/25 for projects that were not completed by the end of the financial year. These are shown in the penultimate column of table 4 above. This will take the total budget carried forward to £1.456million, after including those reported and approved at quarter 1, quarter 2, month 8 and quarter 3.
- £147k increase in budget to reflect the estimated net impact in 2024/25 and beyond of variances identified at Outturn. These are shown in the final column of table 4 above.

8.4. The original approved budget for 2023/24 (and therefore working budget) included efficiencies totalling £1.521million, which were agreed by Council in February 2023. At the end of the year a net total of £2.800m of efficiencies have been achieved in 2023/24, representing a net overachievement of planned efficiencies of £1.279m. The forecast at the end of Quarter Three was a net overachievement of £1.367million. The decrease since Quarter Three of £88k relates to;

- £91k underachievement of the additional income anticipated from the acquisition of Churchgate shopping centre, as highlighted in table four above.
- £3k overachievement of the additional income originally anticipated from the North Herts Lottery in 2023/24, as highlighted in table four above.
- £5k overachievement of the anticipated saving on the cost of the printing and photocopying function from the reduction in the number of Multi-Functional Devices (MFDs) in operation (included in the other minor variances total in table 4).
- £5k underachievement of the rent income budgeted from the letting of the former public convenience at Portmill Lane, Hitchin (included in the other minor variances total in table 4). With staffing capacity limited during the year due to vacancies, Estates officers will seek to progress this in the next financial year.

8.5. 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 Three it was forecast that £532k of the budget carried forward will not be spent in this year. At the end of the year £683k of the budget carried forward has not been spent. The increase of £151k relates to budgets carried forward for:

- Staffing pressures. The unallocated £25k remaining of the £300k budget carried forward was not spent in this year, as noted in table 4 above.
- Strategic Priorities Fund. £76k of the £83k carry forward budget was unspent at the end of the year and is requested to be carried forward again, as explained in table 4 above.
- Supplementary Planning Documents. £14k of the budget carried forward was not spent during the final quarter and is requested to be carried forward again, as explained in table 4 above.
- Town Centre Strategy Reviews. £10k of the budget carried forward was not spent during the final quarter and is requested to be carried forward again, as explained in table 4 above.
- On-street parking lines and signs. £18k of the £30k budget carried forward was not spent during 2023/24 and is requested to be carried forward again, as itemised in table 4 above.
- Housing Stock Condition Survey. The £20k budget carried forward has not been spent in 2023/24. The survey is due to be carried out in a framework agreement with neighbouring authorities. £15k was requested to be carried forward again in the budget monitoring review at month 8 included in the 2024/25 Revenue Budget report and the remaining £5k is now requested to be carried forward (included in the other minor variances in table 4 above).
- Brexit grant funded expenditure. £3k of the £11k expenditure budget carried forward was not spent in the year and is requested to be carried forward again, as noted in table 4 above.

8.6. Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2023/24. Table 5 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 income recorded matched or exceeded the budgeted level of income. A red indicator means that the outturn has not met the budgeted level of income. An amber indicator is only used during the year to highlight that there is a risk that the budgeted level of income may not be met.






8.7. At the end of the financial year, two of the indicators are green and four are red. The summary indicators are therefore unchanged from that reported at Quarter Three. In respect of the red indicators for Leisure management fee income and car parking fees, provision amounts of £80k for Leisure and £100k for parking fees were included in the budget at the start of the year to recognise that variances in these income streams were more likely due to the ongoing recovery following the Covid-19 pandemic. The outturn for leisure centre management fee income in table 5 is net of the £240k transferred to earmarked reserve, rather than charged to the General Fund balance, as highlighted and explained in table 4.

**Table 5 - Corporate financial health indicators**

Indicator	Status	Original Budget £k	Outturn £k	Variance £k
Leisure Centres Management Fee Income	Red	(599)	(535)	64
Garden Waste Collection Service Subscriptions	Green	(1,140)	(1,244)	(104)
Commercial Refuse & Recycling Service Income	Red	(1,269)	(1,238)	31
Planning Application Fees (including fees for pre-application advice)	Red	(1,008)	(858)	150
Car Parking Fees	Red	(2,026)	(1,780)	246
Parking Penalty Charge Notices (PCNs)	Green	(573)	(730)	(157)

- 8.8. Table 6 below indicates activity levels during the year, 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 6.

**Table 6 - Corporate financial health indicators – activity drivers**

Indicator	Activity Measure	Performance 2023/24	Performance 2022/23	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits	1,609,760	1,465,319	+9.9%	
Garden Waste Collection Service	Number of customers	31,082	28,928	+7.4%	
Commercial Refuse & Recycling Service	Number of bin subscriptions	1,064	1,042	+2.1%	
Car Parking Fees	Car park tickets sold / average ticket price sold	1,136,408 / £1.72	1,128,375 / £1.65	+0.7% / +4.2%	
Parking Penalty Charge Notices	Number of PCNs issued	15,395	13,775	+11.8%	

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

been transferred to reserve and used to mitigate the impact of deficits recorded, and/or changes to the rates retention scheme, in future years.

- 8.11. The Council's share of the Council Tax Collection Fund at the end of the year is a deficit balance of £12k. This represents a decrease of £12k on the forecast deficit of £24k estimated in January. The improvement in the position in the final quarter will be incorporated in the calculation of the surplus/deficit position for 2024/25 and hence impact the level of Council Tax funding available in 2025/26. It is the forecast deficit of £24k that will be transferred from the General Fund to the Collection Fund in the next financial year and this will therefore reduce the amount of Council Tax funding available in 2024/25, as was shown in Appendix C to the Revenue Budget 2024/25 report.
- 8.12. The Council's share of the Business Rates Collection Fund at the end of the year is an overall surplus balance of £51k. This represents a reduction of £365k on the estimated surplus of £416k declared in the NNDR1 return submitted to Government in January. The reduction in the surplus at the end of the year is primarily due to an increase in the calculated provision required at the end of the year for the impact of business rates appeals. Like the Council Tax Collection Fund, it is the forecast surplus amount of £416k that will be transferred to the General Fund in the next financial year.
- 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 level determined by Central Government. At the end of the year the calculated business rates levy liability for 2023/24 is £536k, which is lower than the forecast of around £800k at Quarter Three. This is due to the reduction in the final surplus position recorded for 2023/24, as explained above. The levy amount payable for 2023/24 has been funded from grant held in reserve and therefore there is 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 total grant amount receivable for 2023/24 is £4.721m, which includes an amount of £482k received as compensation for the Government's previous decisions to cap the increases in the business rates multiplier. It also includes £47k of compensation in respect of the Green Plant and Machinery exemption, with the government publishing local authority allocations earlier this year. The multiplier compensation is included in the funding total in table 7 below, with the rest of the grant received transferred to reserve. Some of the amount held in reserve has been used to fund the business rates levy payable for this year, while a further amount of £2million has been 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, £1.144million has been transferred 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.
- 8.15. In February 2024 the Government announced the distribution to Local Authorities for the 2023/24 financial year of £100million of the business rates levy account surplus. The allocated amount to North Herts Council of £22,861 is included in the outturn funding amount in table 7 below.
- 8.16. Table 7 below summarises the impact on the General Fund balance of the outturn position detailed in this report. It should be noted however that the accounts for 2023/24 are yet to be audited and changes to the General Fund balance may arise as a result of the final accounts audit.

**Table 7 – General Fund impact**

	<b>Working Budget</b>	<b>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	16,688	16,494	(194)
Funding (Council Tax, Business Rates, NHB, Services Grant)	(17,394)	(17,417)	(23)
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>(13,840)</b>	<b>(14,057)</b>	<b>(217)</b>

8.17. 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 year a total of £804k has come to fruition. The identified risks realised in the final quarter relate to:

- Housing benefit bad debt provision increasing with the managed migration of working age housing benefit clients to Universal Credit, as highlighted and explained in table 4 - £276k.
- Annual external audit fees exceeding the additional related grant funding received from government as highlighted and explained in table 4 - £101k.

**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)
Known financial risks realised in Quarter 3	(19)
Known financial risks realised in Quarter 4	(377)
<b>Remaining allowance for known financial risks</b>	<b>411</b>

## **EARMARKED RESERVES**

8.18. The Council has a number of earmarked reserves, which have been used to fund revenue expenditure during the year. These are detailed in Table 9 below. A total of £6.073million has been contributed to the reserves in 2023/24 and a total of £4.045million has been transferred out of the reserves to the General Fund.

**Table 9 – Earmarked Reserves**

	Balance at 1 April 2023	Contributions to reserve	Transfers out from reserves	Balance at 31 March 2024
	£'000	£'000	£'000	£'000
Childrens Services Reserve	47	0	(37)	10
Churchgate Development Reserve	138	0	(15)	123
Climate Change Grant Reserve	19	0	(2)	17
DLUHC Grants Reserve	4,354	4,559	(3,178)	5,735
Elections Admin Grant Reserve	19	48	0	67
Environmental Health Grants Reserve	84	57	(23)	118
Growth Area Fund Reserve	24	0	0	24
Homelessness Grants Reserve	352	192	(146)	398
Housing & Planning Delivery Reserve	887	0	(196)	691
Information Technology Reserve	23	0	(23)	0
Insurance Reserve	34	0	0	34
Land Charges Reserve	12	0	0	12
Leisure Management Maintenance Reserve	68	240	0	308
Museum Exhibits Reserve	14	0	0	14
Neighbourhood Plan Reserve	115	40	(23)	132
Paintings Conservation Reserve	11	0	0	11
Shared Prosperity Fund Grant Reserve	17	15	(5)	27
Street Name Plates	16	0	0	16
Syrian Refugee Project	619	189	(71)	737
Taxi Licences Reserve	11	0	0	11
Town Centre Maintenance	77	8	0	85
Traffic Regulation Orders	376	0	(4)	372
Waste Reserve	836	0	0	836
Waste Vehicles Reserve	1,850	606	0	2,456
Welfare Reform Grants Reserve	658	119	(322)	455
<b>Total Revenue Reserves</b>	<b>10,661</b>	<b>6,073</b>	<b>(4,045)</b>	<b>12,689</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. Accounts and Audit Regulations 2015 require that the Annual Statement of Accounts be approved and published.
- 9.3. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves, under Section 25 of the Local Government Act 2003.



- 9.4. Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. This is a requirement of the Council Procedure Rules as set out in Part 4.4.1 (b) and 4.4.1 (k) of the Council's Constitution.

## **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.
- 10.2. The General Fund balance of £14.057million (table 7) meets the recommended minimum balance of General Fund reserves agreed when the budget was set. The Statement of Accounts is however yet to be audited and changes to the General Fund balance may arise as a result of the final audit. As the Housing Benefit claim is also yet to be audited, the relevant values included in the reported outturn are based on un-audited figures. Although note the balance is significantly above the recommended minimum of £2.5million.

## **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. Appendix A - Significant Revenue Budget Variances in 2023/24.

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**18. BACKGROUND PAPERS**

- 18.1. None.