

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FIRST QUARTER REVENUE BUDGET MONITORING 2024/25

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 2024/25, as at the end of the first quarter. The forecast variance is a £858k decrease in the net working budget of £20.997million, mainly due to a significant increase (£1.35million) in anticipated interest returns from treasury investments this year, with an ongoing impact in future years of a £174k increase. There is also a request to carry forward £70k of unspent budget to fund a specific project in the next financial year. Explanations for all the significant variances are provided in table 3.

2. RECOMMENDATIONS That the Finance, Audit and Risk Committee comment on and recommend to Cabinet.

2.1. That Cabinet note this report.

2.2. That Cabinet approves the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a £858k decrease in net expenditure.

2.3. That Cabinet notes the changes to the 2025/26 General Fund budget, as identified in table 3 and paragraph 8.2, a total £244k increase in net expenditure. These will be incorporated in the draft revenue budget for 2025/26.

2.4. That Cabinet delegates to the Service Director: Resources (in consultation with the Executive Member for Finance and IT) authority to enter in to a Business Rate Pooling arrangement (if available) if it is estimated that it will be in the financial interests of the Council.

3. REASONS FOR RECOMMENDATIONS

3.1. Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. Budget holders have considered the options to manage within the existing budget but consider the variances reported here necessary and appropriate.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation on the budget monitoring report is not required. Members will be aware that there is wider consultation on budget estimates during the corporate business planning process each year.

6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 19 July 2024.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2024/25 of £19.933million in February 2023. As at the end of Quarter One, the working budget has increased to £20.997million. 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 2024/25 approved by Full Council	19,933
Quarter 3 2023/24 Revenue Budget Monitoring report – 2024/25 budget changes approved by Cabinet (March 2024)	410
2023/24 Revenue Budget Outturn Report – 2024/25 budget changes approved by Cabinet (June 2024)	634
Community Governance Review Terms of Reference report - additional budget required for the use of the Association of Electoral Administrators consultancy service to assist with delivering the Community Governance Review – approved by Council (July 2024)	20
Current Working Budget	20,997

- 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 2024. In July 2024, the decision was made under delegated authority by the Managing Director to temporarily (until 13 February 2025) transfer the reporting line of Licensing and Community Safety teams from the Service Director Legal and Community to the Service Director Housing and Environmental Health. This change is reflected in the other budget changes column in table 2.

Table 2 – Service Directorate Budget Allocations

	Original Budget 2024/25	Changes approved at Q3 2023/24	Changes approved at Outturn 2023/24	Other Budget Changes / Transfers	Current Net Direct Working Budget
Service Directorate	£k	£k	£k	£k	£k
Managing Director	658	107	207	0	972
Customers	4,309	39	120	0	4,468
Enterprise	9	0	0	0	9
Housing & Environmental Health	1,788	78	105	115	2,086
Legal & Community	2,671	20	17	(95)	2,613
Place	6,651	68	44	0	6,763
Regulatory Services	736	108	167	0	1,011
Resources	3,111	(10)	(26)	0	3,075
TOTAL	19,933	410	634	20	20,997

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 (2025/26) 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 2025/26 £k
Managing Director Treasury Investments Interest Income	(1,150)	(2,500)	(1,350)	Increase in estimated interest income receivable is a combination of the Bank of England base rate remaining unchanged for the first half of the calendar year, when the budget expectation was for rates to reduce, and much higher cash balances available for investment than anticipated when the income budget estimate was prepared at the start of the calendar year, which is due to the subsequent reprofiling of planned capital investments. Estimates for future years will be updated when the Investment Strategy for 2025 – 2035 is finalised in January 2025.	0	0
Customers Waste Services Contact Centre	0	52	+52	With the new waste contract due to commence in May 2025, staff that were previously employed by Urbaser will transfer (TUPE) across to the NHC Customer Service Centre from December 2024. The additional cost estimated in 2024/25 is offset by forecast salary underspend, resulting mainly from vacant posts within the Customer Service Centre. The cost in future years will be subject to a later review as part of the consideration of overall waste service costs following the award of the new waste contract.	0	0
Other Customers Directorate Staffing Costs	537	485	(52)		0	0
Total	537	537	0		0	0
Enterprise Thomas Bellamy House rental income	(37)	0	+37	Updated costings have been prepared to undertake refurbishment of the property to a basic lettable condition. An options appraisal is to be completed to review all letting options as well as the alternative of a potential disposal. It is therefore requested to revise the budget estimates to remove the existing income expectation through to the middle of financial year 2025/26, pending the outcome of the options appraisal.	0	19

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
Enterprise Museum Artefacts transport & temporary storage	70	0	(70)	Council approved a £70k revenue investment proposal for the removal and temporary storage costs of artefacts in Burymead whilst a longer-term storage solution is developed. As further investigation is currently being conducted on the long-term solution, with the start of any works not expected in this year, it is requested that the unspent budget is carried forward.	70	0
Housing & Environmental Health Taxi Licensing Income	(147)	(107)	+40	A combination of a reduction in the number of taxis following the pandemic, plus administrative efficiencies, has resulted in the projected income for taxis reducing significantly. Under licensing law, Councils can only charge their reasonable costs and the Licensing team have been working with the trade and introducing new ways of working that have reduced the time and resource involved in the taxi licence process, thus reducing the fee amounts charged. This has however facilitated a greater focus elsewhere within the licensing regime, for example more proactive enforcement and inspections of high-risk premises such as late-night venues, houses in multiple occupation (HMOs) and animal establishments.	0	40
Legal & Community Elections Consultant	40	0	(40)	Unspent budget relates to the approved revenue investment proposal for the temporary appointment of an experienced elections expert to support the Returning Officer. The additional resource was requested for resilience reasons and to ensure business continuity if faced with any unforeseen issues. In the event, an independent review commissioned by the Returning Officer and undertaken by the Association of Electoral Administrators found that the service was well managed and well prepared for the challenges presented by the anticipated electoral events in 2024. In addition, given the General Election was called only 3 weeks after the Council's first ever whole Council elections, there was ultimately too little time to arrange and utilise such a service.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
Place Leisure Centre Management Contract Fee Income	(1,130)	(778)	+352	The forecast variance follows the rebasing of Leisure Centre staffing costs, in advance of the new Leisure contract commencing in April 2024, to capture the actual increase of 9.8% in the National Living Wage from April 2024. The resulting additional cost [reduction to management fee income] of £355k is slightly offset by the forecast overachievement by £3k of the anticipated £430k saving from the rebasing of energy costs from the estimated unit rates included at the tender stage. The energy savings were only budgeted for in the current year. It is currently assumed that the staffing costs and energy savings will off-set each other in future years.	0	0
Place Charging for replacement bins	(48)	0	+48	Fully integrated online forms are required to introduce charging for replacement bins to prevent adverse impacts, and additional costs, for Customer Services. A new customer relationship management system is however still being developed. Given the proximity to the new collection contract and the ongoing development of new online forms for all services, the work to develop this project is now part of the wider development of the online offer for waste services. Implementation has therefore been postponed to the next financial year.	0	0
Place Commercial Waste and Recycling						
Income from residual refuse collections	(1,136)	(1,090)	+46	Forecast income from Commercial customers is slightly lower than the level of income recorded for the last financial year, during which a shortfall against the budget was reported to Cabinet at Quarter Two. Service income has reduced as customers have rationalised their collection requirements, which may be due to a tougher economic climate or firms seeking to reduce the environmental impact of their operations. In some areas this has directly linked to increases in the uptake of Commercial Recycling services. Lower than budgeted trade waste income was identified as a financial risk when the budget was approved in February 2024.	0	46
Income from recycling collections	(146)	(152)	(6)		0	(6)
Total	(1,282)	(1,242)	+40		0	40

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
Regulatory Planning Support SLA with Herts County Council	36	105	+69	The SLA with HCC is being renewed at an increased cost for the provision of the LEADS service, which is the provision of Landscape, Architectural, Ecological advice, appraisal of biodiversity net gain proposals, Archaeological advice, Arboriculture advice, Design Review Panel and Strategic Sustainability and planning advice. HCC have reviewed the service and the anticipated need for North Herts for the year, which includes increased ecology advice following the introduction of the Bio-Diversity Net Gain regulations and additional archaeology advice around strategic sites. Officers are considering whether employing our own officer may be a better value option to consider going forward, while alternative funding, such as through Planning Performance Agreements with planning applicants, will also be explored.	0	69
Total of explained variances	(3,111)	(3,985)	(874)		70	168
Other minor balances	24,108	24,124	+16		0	6
Overall Total	20,997	20,139	(858)		70	174

8.2. Cabinet are asked to approve the differences highlighted in the table above (a £858k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are also asked to note the estimated impact on the 2025/26 budget, a £244k increase in budget that includes the request to carry forward £70k of unspent budget for a specific project next year, which will be incorporated in to the 2025/26 budget setting process (recommendation 2.3).

8.3. The original approved budget for 2024/25 (and therefore working budget) included efficiencies totalling £699k, which were agreed by Council in February 2024. 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 underachievement of £64k. This comprises:

- Additional rent income associated with the refurbishment of Thomas Bellamy house, as highlighted in table three above. £19k underachievement.
- Additional Leisure Centre management fee income from lower Leisure Centre energy costs, as noted in table three above. £3k overachievement.
- Income from charging for replacement waste bins, as highlighted and explained in table 3 above. £48k underachievement.






- 8.4. The working budget for 2024/25 includes budgets totalling £1.456million 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 2023/24 but was delayed into 2024/25. At Quarter One, it is forecast that £70k of the budget carried forward will not be spent in this year. This relates to the budget carried forward for the transport and temporary storage of museum artefacts currently held at the Bury Mead Resource Centre, as explained in table 3.
- 8.5. Six corporate ‘financial health’ indicators have been identified in relation to key sources of income for the Council in 2024/25. 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 and two of the indicators are red. Explanations for the red indicators in respect of Leisure and the Commercial waste and recycling service are included in table 3 above. The high actual to date totals relative to annual budget for Planning Fees and Garden Waste income are due to the reversal in the current year of the accounting adjustments posted at the end of the prior financial year to ensure the income totals recorded for 2023/24 only related to activity in 2023/24, (i.e. planning applications resolved / garden waste collections undertaken between 1st April 2023 and 31st March 2024), and therefore are not necessarily indicative of the achievement of surplus income in this financial year.

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	(1,130)	(195)	(778)	+352
Garden Waste Collection Service Subscriptions	Green	(1,029)	(1,005)	(1,029)	0
Commercial Refuse & Recycling Service Income	Red	(1,282)	(424)	(1,242)	+40
Planning Application Fees (including fees for pre-application advice)	Green	(1,186)	(760)	(1,186)	0
Car Parking Fees	Green	(1,948)	(491)	(1,948)	0
Parking Penalty Charge Notices (PCNs)	Green	(573)	(156)	(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 2024/25	Performance Q1 2023/24	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits in quarter	389,228	391,666	-0.6%	
Garden Waste Collection Service	Number of bin subscriptions at end of quarter	32,866	31,892	+3.1%	
Commercial Refuse & Recycling Service	Number of customers at end of quarter	963	966	-0.3%	
Car Parking Fees	Car park tickets sold / average ticket price sold during quarter	281,349 / £1.77	278,064 / £1.66	+1.2% / +6.6%	
Parking Penalty Charge Notices	Number of PCNs issued during quarter	3,894	3,789	+2.8%	

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 2024 of the amount of New Homes Bonus, Services Grant and Funding Guarantee Grant it could expect to receive in 2024/25 and planned accordingly.
- 8.9. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. The Council must repay in this year its share of the Council Tax deficit for the prior year and will receive in this year its share of the Business Rates Collection Fund surplus for the prior year, as estimated in January 2024. As reported previously, this means a contribution from the General Fund of £24k to the Council Tax Collection Fund and a contribution to the General Fund of £416k from the Business Rates Collection Fund. While the repayment of the Council Tax deficit amount of £24k 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. It is also reviewed as part of the Medium-Term Financial Strategy and budget process to assess whether it can be used to support the General Fund budget. The final totals recorded at the end of the last financial year was a deficit of £12k in respect of Council Tax and a business rates surplus of £51k. The difference between the January estimates and the final position will affect the calculation of the surplus / deficit for 2024/25 and hence funding available in 2025/26.

- 8.10. The Council is also subject to a business rates levy from Central Government as it collects more in business rates than the baseline need determined by Central Government. In 2024/25 the Council is a member of the Hertfordshire Business Rates Pool with Hertfordshire County Council and two other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year. Based on projected net Business Rates income in 2024/25, as declared to government in January 2024, the Council is estimated to gain by around £0.7million from being part of the pool. The gain to the Council is however not guaranteed and the exact value will depend on the actual level of rates collected by both North Herts Council as well as the two other collection authorities in the Pool. The contribution to the pool required for 2024/25 will therefore not be known until all the pool authorities have declared their business rates income amounts to government following the end of this financial year. In any case, the Council's contribution to the pool will be funded from grant held in reserve and as such will have a net zero impact on the General Fund balance at the end of the year.
- 8.11. In previous years, Department for Levelling Up, Housing and Communities (now Ministry for Housing, Communities and Local Government) has written to Local Authority Chief Finance Officers to invite applications to be part of a Business Rates Pool. This letter has usually been received in early September. Except for 2023/24, it has been determined to be in our interests to be part of a Pool each year and the outturn position has also been positive. If the option is available, the County Council would engage specialist consultants to determine the optimum pool membership and it is possible that we would form part of such an optimum Pool for Hertfordshire. An optimum pool would be comprised of the County Council and up to 5 District / Borough Councils. Recommendation 2.4 therefore seeks that the final decision is delegated to the Service Director: Resources in consultation with the Executive Member for Finance and IT.
- 8.12. 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 £5.282m for reliefs in 2024/25, which includes an amount of £589k 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 £2.7 million will be used to top up the business rates income charged to the General Fund in 2024/25 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 £1.727million from the reserve to the General Fund in 2024/25 to bridge the funding gap anticipated when the budget was set.

- 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 2024)	(14,057)	(14,057)	-
Net Expenditure	20,997	20,139	(858)
Funding (Council Tax, Business Rates, NHB, Services Grant, Funding Guarantee)	(18,206)	(18,206)	0
Funding from Reserves (including Business Rate Relief Grant)	(1,727)	(1,727)	0
Carried Forward balance (31st March 2025)	(12,993)	(13,851)	(858)

- 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 £1,060k, and at the end of the first quarter a total of £50k has come to fruition. The identified risks realised in the first quarter relate to:

- Income from the trade refuse service, as highlighted in table 3 above - £40k.
- New duties and obligations associated with government policy. The responsibility falling to Local Authorities to deal with cases of stray dangerous dogs, previously handled by the Police, has increased the cost of the contract (included within other minor variances in table 3) - £10k

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	1,060
Known financial risks realised in Quarter 1	(50)
Remaining allowance for known financial risks	1,010

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.