

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: SECOND QUARTER REVENUE BUDGET MONITORING 2025/26

REPORT OF: THE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: RESOURCES

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 2025/26, as at the end of the second quarter. The forecast variance is an £846k decrease in the net working budget of £24.496million, of which £408k is requested to be carried forward to fund specific activities in the next financial year, with an ongoing impact in future years of a £147k increase. Explanations for all the significant variances are provided in table 3.

2. RECOMMENDATIONS

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2025/26 General Fund budget, as identified in table 3 and paragraph 8.2, an £846k decrease in net expenditure.
- 2.3. That Cabinet notes the changes to the 2026/27 General Fund budget, as identified in table 3 and paragraph 8.2, a total £555k increase in net expenditure. These will be incorporated in the draft revenue budget for 2026/27.

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 21st November 2025.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2025/26 of £22.914million in February 2025. As at the end of Quarter Two, the working budget has increased to £24.496million. 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 2025/26 approved by Full Council | 22,914 |
| Quarter 3 2024/25 Revenue Budget Monitoring report – 2025/26 budget changes approved by Cabinet (March 2025) | 807 |
| 2024/25 Revenue Budget Outturn report – 2025/26 budget changes approved by Cabinet (June 2025) | 202 |
| Churchgate Viability and Next Steps report – additional funding for a specialist Project Manager approved by Council (July 2025) | 120 |
| First Quarter Revenue Budget Monitoring 2025/26 – working budget changes approved by Cabinet (September 2025) | 453 |
| Current Working Budget | 24,496 |

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed from the budget allocations published in the Quarter Two revenue monitoring report. The other budget transfers during the quarter primarily relate to the allocation of the Corporate Apprenticeship Scheme and Graduate Trainee scheme resource to the relevant service areas.

Table 2 – Service Directorate Budget Allocations

| Service Directorate | Net Direct Working Budget at Quarter One | Changes approved at Quarter One | Other Budget Transfers | Current Net Direct Working Budget |
|---------------------|--|---------------------------------|------------------------|-----------------------------------|
| | £k | £k | £k | £k |
| Chief Executive | 1,125 | (369) | (434) | 322 |
| Customers | 3,955 | (8) | 186 | 4,133 |
| Enterprise | 1,402 | (73) | 36 | 1,365 |
| Environment | 7,821 | 892 | 30 | 8,743 |
| Governance | 2,412 | 43 | 81 | 2,536 |
| Place | 1,494 | (140) | (3) | 1,351 |
| Regulatory Services | 2,837 | (74) | 44 | 2,807 |
| Resources | 2,997 | 182 | 60 | 3,239 |
| TOTAL | 24,043 | 453 | 0 | 24,496 |

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 (2026/27) 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 2026/27 £k |
|--|----------------------|------------------------|----------------|---|-----------------------------|-----------------------------------|
| Chief Executive Credit & Debit Card Payments Processing Fees | 59 | 95 | +36 | Following the installation of the new finance system in 2024/25, North Herts transitioned to a new payment processing provider. While the new provider charges a higher fee per transaction, there is a faster transfer of funds than with the previous arrangement, which therefore allows the Council to earn interest on the funds received over a longer period. In addition, there has been a significant increase in the number of card transactions since the administration of garden waste charging was moved back in-house. | 0 | 36 |
| Chief Executive Treasury Investments Interest Income | (1,825) | (1,980) | (155) | Increase in estimated interest income receivable is a combination of both interest rate returns achieved and cash balances available for investment being slightly higher than estimated in the forecast prepared at Quarter One. Estimates for future years will be updated when the next Investment Strategy is finalised in January 2026. | 0 | 0 |
| Customers Expenditure on postage | 196 | 250 | +54 | Forecast overspend on postage costs is mainly due to increases in prices charged for items sent first class from April 2025 significantly exceeding the inflation assumption included in the budget for this year. The cost of sending an item first class under the hybrid mail contract increased by more than 40% from the prior year, while the charge for franked first class post rose by 58%. Notification of these changes to prices was received in March 2025, after the original budget was approved, which had assumed 5% inflation for postage. In addition, there has been an increase in general postage activity this year with communications sent out to support the transition to the new waste services provision. An exercise is underway to see if more post can be sent digitally. | 0 | 42 |
| Customers IT Services staffing expenditure | 872 | 850 | (22) | Forecast underspend is due to the vacant Application Support and Development Officer post. It is requested that the unspent budget is carried forward in order to fund the extension of the fixed term contract of a temporary help desk post for a further 10 months. The post will be critical in maintaining service stability and supporting strategic priorities during a period of significant organisational change. | 22 | 0 |

| Budget Area | Working Budget £k | Forecast Outturn £k | Variance £k | Reason for difference | Carry Forward Request £k | Estimated Impact on 2026/27 £k |
|--|----------------------|------------------------|----------------|---|-----------------------------|-----------------------------------|
| Customers District Wide Survey | 18 | 0 | (18) | The adoption of the free Microsoft Forms web-based software tool to conduct online surveys has removed the need to separately procure a digital survey platform from which to run the survey. As the District Wide Survey is a biannual exercise there is no budget allocation earmarked in 2026/27, the impact in future years will instead be captured in the proposed efficiencies presented with the Budget report in February. | 0 | 0 |
| Environment Directorate Staffing Expenditure | 1,480 | 1,403 | (77) | It is requested that part of the forecast underspend on staffing for the Directorate, resulting mainly from turnover in staff in Waste Services in this year being greater than anticipated, is carried forward to fund the retention of the current Leisure and Active Communities apprentice for a further six months into the next financial year. This will be crucial to the Community Wellbeing team, who are unlikely to receive confirmation of their 2026/27 grant funding before the summer of 2026. Half of the current team are expected to leave at the end of March 2026 and so, for basic service delivery to continue through April to August, the support of the apprentice role will be crucial. It will ensure that current initiatives such as strength and balance classes, the social hub for older people and food education for targeted groups can continue. | 13 | 0 |
| Environment Leisure Consultants | 31 | 6 | (25) | Provision of £25k was carried forward from the prior financial year for specialist consultants to develop a 'Long Term Built Leisure Strategy', with the view to ensuring NHC deliver sufficient leisure provision to meet demand arising over the period of the next Local Plan review. The development of the strategy has however been delayed whilst the facility modelling for the Indoor Sports Facility Strategy is carried out by Sport England. It is therefore requested that the budget unspent in this year is carried forward to finance the strategy work in the next financial year. | 25 | 0 |

| Budget Area | Working Budget £k | Forecast Outturn £k | Variance £k | Reason for difference | Carry Forward Request £k | Estimated Impact on 2026/27 £k |
|---|----------------------|------------------------|----------------|--|-----------------------------|-----------------------------------|
| Governance Directorate Staffing Expenditure | 1,679 | 1,735 | +56 | Recruitment to certain posts within the Legal Services team has proved challenging, resulting in the need to employ agency staff. In addition, the Director of Governance is currently transitioning back to full-time work following maternity leave. During this period, an agency employee has been providing support by covering aspects of the Director of Governance role, as well as responsibilities associated with the Deputy Monitoring Officer and Legal Manager positions. | 0 | 0 |
| Place Directorate Staffing Expenditure | 3,634 | 3,455 | (179) | Forecast underspend is due to various vacancies within the Place Directorate. Recruitment to a number of posts is currently ongoing. It is requested that £34k is carried forward to fund an additional apprentice position starting in April. This will provide additional capacity and ensure that the apprenticeships can complete before Local Government Reorganisation. | 34 | 0 |
| Place Income from the sale of car park season tickets | (187) | (143) | +44 | Projected income shortfall follows the decision by a local employer to not renew their car park season tickets. | 0 | 44 |
| Place Electric Vehicle (EV) Charging Points | 60 | 0 | (60) | £60k was approved to be carried forward from 2024/25 to fund consultants to assist with phase 2 of the project: to identify and evaluate potential locations for EV charging points across the district in consultation with Hertfordshire County Council. Phase 1 has however been delayed due to on-going discussions regarding the contract and lease agreements with the contractor. These are now near completion, with installation of EV charging points to be delivered in the new year. This means however that Phase 2 will not happen now until the next financial year and so it is requested that the forecast unspent budget is carried forward. | 60 | 0 |
| Place Town Centres Strategy | 119 | 49 | (70) | The public consultation on the draft Town Centres Strategy is not scheduled to finish until January 2026, with possible adoption in Spring 2026. This means that work on implementing the Strategy will not commence until the next financial year, hence the projected unspent budget is requested to be carried forward to finance this work. | 70 | 0 |

| Budget Area | Working Budget £k | Forecast Outturn £k | Variance £k | Reason for difference | Carry Forward Request £k | Estimated Impact on 2026/27 £k |
|--|----------------------|------------------------|----------------|---|-----------------------------|-----------------------------------|
| Place Local Plan Review and Development | 207 | 142 | (65) | Forecast outturn follows a review and reprofiling of the timescales of procurements and delivery of the various evidence-based projects within the Local Plan. Further expenditure of £251k is anticipated in 2026/27, therefore the carry forward of the remaining unspent budget into the next financial year is requested to meet the cost of those activities anticipated in the next financial year. | 65 | 0 |
| Place Supplementary Planning Documents (SPDs) | 94 | 11 | (83) | Work is progressing on the Design Code SPD. Additional staffing resource is being provided through a 1-year fixed term contract post that will extend into the new financial year. The carry forward of the forecast unspent budget is therefore requested for the costs of this post falling in the next financial year and to fund the work associated with the finalisation of this project as a web-based resource (anticipated in Summer 2026). | 83 | 0 |
| Place Planning Control Legal and Consultants Expenditure | 98 | 145 | +47 | Forecast overspend outturn is due to the appointment of viability consultants for a public inquiry relating to residential development on land east of Rhee Spring Baldock. While officers had recommended that planning permission be granted, the application was refused as the Planning Control Committee did not accept reduced affordable housing on viability grounds. The applicant subsequently appealed against the decision and a public inquiry was held that required further viability appraisals to be undertaken. | 0 | 0 |

| Budget Area | Working Budget £k | Forecast Outturn £k | Variance £k | Reason for difference | Carry Forward Request £k | Estimated Impact on 2026/27 £k |
|---|----------------------|------------------------|----------------|--|-----------------------------|-----------------------------------|
| Place Planning Control Pre-Application Planning Advice Fees Income | (73) | (143) | (70) | Forecast overachievement of income follows a combination of changes made to the Planning fees structure to both facilitate the effective recovery of costs and encourage pre-application engagement. Additional fee categories have been introduced so that the fee charged for pre-application advice better reflects the scale of development, complexity of case and the officer time involved. The planning application fee structure has also been changed to no longer allow free subsequent applications following the withdrawal or refusal of an application, while amendments after validation are not sought or accepted where there have not been pre-application negotiations. The ongoing estimated income impact from these changes is included as an efficiency proposal within the draft budget estimates for 2026/27 and beyond. | 0 | 0 |
| Place Planning Control Planning Applications Fees Income | (1,115) | (1,315) | (200) | The government increased statutory planning fees from the 1st April 2025. The majority were increased in line with general inflation (1.7% as measured by the Consumer Price Index at September 2024), however some householder application fees were doubled. Based on the number of applications in 2024/25 the estimated impact is a £200k increase in income. It is requested that half of the additional income raised is transferred to the Planning earmarked reserve to fund further investment in the service, as the letter from the Ministry for Housing, Communities and Local Government states that the fee increase should be used to both alleviate revenue pressures and invest in the planning service. The ongoing impact from the increase to fees is included within the budget proposals for 2026/27. | 0 | 0 |
| Regulatory Environmental Health Apprentice | 18 | 0 | (18) | Due to staffing pressures in the first half of the year, the recruitment to the four-year Environmental Health Apprenticeship post will now take place in 2026/27, in time to start the dedicated course from September 2026. It is therefore requested that the remaining unspent budget is carried forward. | 18 | 0 |

| Budget Area | Working Budget £k | Forecast Outturn £k | Variance £k | Reason for difference | Carry Forward Request £k | Estimated Impact on 2026/27 £k |
|--|----------------------|------------------------|----------------|--|-----------------------------|-----------------------------------|
| Resources Directorate Staffing Costs | 2,916 | 2,839 | (77) | Forecast variance relates primarily to the Revenues and Benefits service, where vacancies held and flexible working requests have reduced staffing expenditure. The carry forward amount requested relates to the £37k budget carried forward at Outturn 2024/25 for additional one-off temporary staffing resource to help ensure payments were correctly allocated to support recovery of debts and create capacity for further process improvements from the new finance system. The temporary Officer has been recruited on a part-time basis for a period of 18 months, so it is requested that the unspent amount of the carry forward budget is carried forward again to cover those salary costs falling in the next financial year. | 17 | 0 |
| Resources Court Summons Fees Income | (85) | (145) | (60) | The working budget for summons fees income was reduced at Quarter One, with income recovery in the first half of the year affected by the transition to the new finance system. A court hearing that took place in September subsequently resulted in summons fee income raised of £110k. With another court hearing scheduled in January, it is anticipated that the working budget will be overachieved, with the forecast outturn of £145k representing a shortfall of £33k on the original budget estimate. | 0 | 0 |
| Total of explained variances | 8,196 | 7,354 | (842) | | 407 | 122 |
| Other minor balances | 16,300 | 16,296 | (4) | | 1 | 25 |
| Overall Total | 24,496 | 23,650 | (846) | | 408 | 147 |

- 8.2. Cabinet are asked to approve the differences highlighted in the table above (a £846k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are also asked to note the estimated impact on the 2026/27 budget, a £555k increase in budget, which includes the request to carry forward £408k of unspent budget for specific purposes next year, which will be incorporated in to the 2026/27 budget setting process (recommendation 2.3).
- 8.3. The original approved budget for 2025/26 (and therefore working budget) included efficiencies totalling £1.341million, which were agreed by Council in February 2025. 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 £59k and this remains unchanged at the end of Quarter Two.

- 8.4. The working budget for 2025/26 includes budgets totalling £1.682million 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 2024/25 but was delayed into 2025/26. At Quarter One, it was forecast that £199k of the budget carried forward will not be spent in this year. At the end of Quarter Two it is forecast that £526k of the budget carried forward will not be spent. The increase of £327k, all of which is requested to be carried forward again into 2026/27, relates to:
- Leisure consultancy. £25k is forecast not to be spent in this year, as highlighted in table three above.
 - Electric vehicle charging points. The £60k carry forward budget will not be spent in this year, as explained in table three above.
 - Supplementary Planning documents. £83k of the £135k budget carried forward is forecast to be unspent at the end of the year, as highlighted in table three above.
 - Local Plan review. £54k of the £186k carried forward is forecast not to be spent in this year, as highlighted in table three above.
 - Town centres strategy. £70k of the £119k carry forward budget will not be spent in this year, as explained in table three above.
 - Environmental Health four-year apprenticeship. The remaining £18k (£82k requested to be carried forward at Quarter One) of the £100k budget carried forward is forecast to be unspent this year, as noted in table three above.
 - Resources staffing. £17k of the £37k carry forward budget is forecast to be unspent at the end of this year, as explained in table three above.
- 8.5. Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2025/26. 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 was amber and one of the indicators was red. These indicators are unchanged at the end of Quarter Two. The high actual to date total relative to the annual budget for Planning Fees is due to the reversal in the current year of the accounting adjustment posted at the end of the prior financial year to ensure the income total recorded for 2024/25 only related to activity in 2024/25 (i.e. planning applications resolved between 1st April 2024 and 31st March 2025), and therefore is 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 | (714) | (169) | (220) | +494 |
| Garden Waste Collection Service Subscriptions | Green | (1,622) | (1,635) | (1,622) | 0 |
| Commercial Refuse & Recycling Service Income | Green | (1,267) | (709) | (1,267) | 0 |
| Planning Application Fees (including fees for pre-application advice) | Green | (1,188) | (1,570) | (1,188) | 0 |
| Car Parking Fees | Amber | (1,978) | (1,086) | (1,926) | +52 |
| Parking Penalty Charge Notices (PCNs) | Green | (573) | (279) | (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 to end of Q2 2025/26 | Performance to end of Q2 2024/25 | Percentage Movement | Direction of Trend |
|---------------------------------------|--|----------------------------------|----------------------------------|---------------------|---|
| Leisure Centres Management Fee | Number of Leisure Centre visits in quarter | 906,535 | 860,742 | +5.3% |  |
| Garden Waste Collection Service | Number of bin subscriptions at end of quarter | 31,594 | 33,602 | -6.0% |  |
| Commercial Refuse & Recycling Service | Number of customers at end of quarter | 938 | 976 | -3.9% |  |
| Car Parking Fees | Car park tickets sold / average ticket price sold during quarter | 614,377 / £1.71 | 578,764 / £1.77 | +6.2% / -3.4% |  |
| Parking Penalty Charge Notices | Number of PCNs issued during quarter | 10,254 | 7,864 | +30.4% |  |

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.8. The Council's revenue budget is funded primarily from Council Tax and Retained Business Rates income. In November 2024, central government guaranteed an amount of Extended Producer Responsibility (EPR) funding in 2025/26. The Council was subsequently notified by Central Government in February 2025 of the amount of New Homes Bonus, Employer National Insurance Contributions Grant and Funding Guarantee Grant it could expect to receive in 2025/26 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 2025. As reported previously, this means a contribution from the Council Tax Collection Fund to the General Fund of £144k and a contribution to the General Fund of £98k from the Business Rates Collection Fund. While the transfer of the Council Tax surplus amount of £144k is included in the funding total in table 7 below, 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 (MTFS) and budget process to assess whether it can be used to support the General Fund budget.
- 8.10. At Quarter Two an overall surplus position of around £250k on the Council Tax Collection Fund is projected at the end of this financial year, which includes the £12k deterioration in the position for the prior year, compared to the January 2025 estimate, during the final quarter of 2024/25. The current forecast will be updated again in January with information available as at the end of December and this will inform the total Council Tax funding amount available for 2026/27.
- 8.11. The forecast at Quarter Two for the Council's share of the Business Rates Collection Fund at the end of this year is an overall surplus position of around £2.9m. The size of the surplus is primarily due to the £2.3million increase in surplus between the January 2025 estimate and the final position recorded for 2024/25, which followed the release of provisions at the end of the financial year for the estimated cost of Business Rate appeals as detailed and explained in the Revenue Budget Outturn 2024/25 report. The impact on resources of the surplus position was considered in the latest MTFS (2026-2030) approved by Council in December 2025.
- 8.12. The Council is also subject to a business rates levy from Central Government where it collects more in business rates than the baseline determined by Central Government. The current forecast for 2025/26 is a business rates levy liability of around £1.2million at the end of the financial year. The final amount payable will however depend on the actual level of business rates income collected during the year. In any case, the business rates levy payable will be funded from the grant held in reserve and as such will have a net zero impact on the General Fund balance at the end of the year.
- 8.13. 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 £4.445m for reliefs in 2025/26, which includes an amount of £620k 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 £1.3million will be used to top up the business rates income charged to the General Fund in 2025/26 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 £2.861million from the reserve to the General Fund in 2024/25 to bridge the funding gap anticipated when the budget was set.

- 8.14. 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

| | Working Budget | Projected Outturn | Difference |
|--|-------------------|----------------------|------------|
| | £k | £k | £k |
| Brought Forward balance (1st April 2024) | (16,067) | (16,067) | - |
| Net Expenditure | 24,496 | 23,650 | (846) |
| Funding (Council Tax, Business Rates, EPR, NHB, ENIC, Funding Guarantee) | (20,365) | (20,365) | 0 |
| Funding from Reserves (including Business Rate Relief Grant) | (2,861) | (2,861) | 0 |
| Carried Forward balance (31st March 2025) | (14,797) | (15,643) | (846) |

- 8.15. 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 £1,077k, and at the end of the second quarter a total of £1,365k has come to fruition. The identified risks realised in the second quarter relate to:

- Costs associated with a challenge to a decision of the Council. Consultants' fees incurred from a public inquiry held following an appeal against a Planning Committee decision, as highlighted in table 3 above - £47k.
- Failure to meet projected Careline sales income as a result of the loss of a corporate client, included within the 'other minor variances' total in table 3 above - £20k.

Table 8 – Known financial risks

| | £'000 |
|--|---------|
| Original allowance for known financial risks | 1,077 |
| Known financial risks realised in Quarter 1 | (1,298) |
| Known financial risks realised in Quarter 2 | (67) |
| Remaining allowance for known financial risks | (288) |

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.