

East Herts Council Report

Executive

Date of meeting: 14th February 2023

Report by: Councillor Geoff Williamson, Deputy Leader & Executive Member for Financial Sustainability

Report title: QUARTERLY CORPORATE BUDGET MONITOR 2022/23 – QUARTER 2 SEPTEMBER 2022

Ward(s) affected: ALL

Summary –

- The net revenue budget for 2022/23 is £11.526m as set out in table 1, this is funded by Council Tax. The forecast outturn as at 30th September 2022 predicts an overspend of £192k.
- The Capital Programme forecast outturn is £21.057m giving a variance of £9.544m against the revised capital budget for 2022/23 of £30.601m as set out in Appendix C.

RECOMMENDATIONS FOR EXECUTIVE:

- a) Welcome the forecast net revenue budget forecast overspend of £192k and note that measures to contain the inflationary pressures in year have been successful; and
- b) Note the capital programme forecast outturn of £21.057m and the reasons for the scheme slippages.

1.0 Proposal(s)

1.1 Not applicable

2.0 Background

2.1 The revenue budget and capital programme were approved by council on 1st March 2022. The budgets were set amid an ongoing period of continued financial uncertainty arising from the pandemic, the lack of a multiple year Comprehensive Spending Review and risks for local government, particularly the impact of Local Council Tax Support on the Council Tax base. The report that follows provides details of the forecast outturn position against the budgets set in March 2022.

2.2 The 2022/23 net revenue budget is £11.526m, the table below shows the budget alongside the 2022/23 forecast outturn as at Quarter 2. A breakdown of the revenue budget and forecast outturn can be found in Appendix A:

Table 1: 2022/23 Revenue forecast outturn

| | 2022/23 Budget | 2022/23 Forecast outturn | Variance |
|-------------------------------|---------------------------|---|-----------------|
| | £'000 | £'000 | £'000 |
| Net Cost of Services | 16,129 | 16,494 | 364 |
| Total corporate budgets | 483 | 114 | (369) |
| Total reserves | 266 | 463 | 198 |
| Total Funding | (5,352) | (5,352) | - |
| Net revenue spend | 11,526 | 11,719 | 192 |
| Funded by Council Tax | (11,526) | (11,526) | - |
| Overspend/(underspend) | - | 192 | 192 |

2.3 High inflation and the cost of living crisis has impacted on the council's spending with contract costs, utilities and salaries increases at levels above budget. Increases to the Bank of England's base rate have resulted in interest rate rises which impact on the rate at which the council can borrow in the money markets short term and also on the return that the Council can achieve on its short term deposits. A summary of significant

variances is provided in Appendix B, this gives details of the £192k forecast overspend.

2.4 The revised capital budget for 2022/23 is £30.601m as set out in Appendix C. The forecast outturn is £20.767m giving a variance of £9.834m. The variation in spend has resulted from project delays relating to weather and difficulties once work has started. Appendix C provides a further breakdown by capital project.

2.5 The outstanding debt as at Quarter 2 was £2.7m, of this £274k is less than 30 days old. The total outstanding debt has increased by £240k from the position at 30th June 2022. Debt over 365 days old totals £1.4m, this is being reviewed by officers, with legal advice being sought as necessary. The split of aged debts can be found in Appendix D

3.0 Reason(s)

3.1 Section 28 of the Local Government Act 2003 requires the Council to monitor the budget and monitor and assess the adequacy of reserves and balances during the year. East Herts Council's financial management framework requires quarterly reports to Audit & Governance Committee and the Executive with expenditure forecasts to the year end

3.2 The Executive must consider the budget forecasts and ensure that action is taken in relation to any expenditure over spends or any underachievement of income so that the Council's financial resources are not exceeded.

4.0 Options

4.1 Not applicable

5.0 Risks

5.1 Higher inflation and rising interest rates will put pressure on the Councils revenue and capital budgets.

6.0 Implications/Consultations

6.1 The finance team has consulted with Heads of service, service managers and budget managers in writing this report

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

All financial implications are included in this report.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

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Specific Wards

None

7.0 Background papers, appendices and other relevant material

7.1

| Appendices | |
|------------|--|
| A | 2022/23 Revenue budget & forecast outturn |
| B | Significant variances |
| C | 2022/23 Capital programme & forecast outturn |
| D | Quarter two Debtors position |

Contact Member

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