

# Public Document Pack



Chairman and Members of the Executive

Your contact: Katie Mogan  
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Date: 27 August 2024

cc. All other recipients of the Executive agenda

Dear Councillor,

## **EXECUTIVE - 3 SEPTEMBER 2024**

Please find attached the following reports which were marked "to follow" on the agenda for the above meeting:

5. Financial Management 2024/25 - Q1 Forecast to year end (Pages 2 - 13)

Please bring these papers with you to the meeting next Tuesday

# Agenda Item 5

## **East Herts Council Report**

### **Executive**

**Date of meeting: Tuesday 3 September 2024**

**Report by:** Councillor Carl Brittain – Executive Member for Financial Sustainability

**Report title:** Financial Management 2024/25 - Q1 Forecast to year end

**Ward(s) affected: (All Wards);**

### **Summary**

- The net revenue budget for 2024/25 is £12.652m as set out in Table 1, this is funded by Council Tax. The forecast year end outturn as at 30 June 2024 predicts an overspend of £1.1m.
- The revised capital budget for 2024/25 is £19.017m, plus another £4.16m has been approved but not yet committed, as set out in Appendix C. The forecast outturn is £18.967m giving a variance of £50k.

### **RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE**

**a) The reasons for the net revenue budget end of year projected overspend of £1.1m be considered;**

**b) The capital programme forecast outturn of £50k be considered.**

#### **1.0 Proposal(s)**

1.1 Not Applicable

#### **2.0 Background**

**2.1** The 2024/25 Medium Term Financial Plan (MTFP), revenue budget and capital programme were approved by Council on 28 February 2024. The 2024/25 net revenue budget is £12.652m, the

table below shows the budget alongside the 2024/25 forecast outturn as at Quarter 1. A further breakdown of the revenue budget and forecast outturn can be found in **Appendix A**

<b>Table 1: Revenue Budget and End of Year Forecast Outturn</b>	2024/25 Budget	2024/25 Forecast Outturn	Variance
	£'000	£'000	£'000
Net Cost of Services (NCS)	21,678	22,807	1,129
Total corporate budgets	3,424	3,436	12
Total reserve movements	(2,348)	(2,348)	-
Total funding	(10,102)	(10,109)	(7)
Net revenue spend	12,652	13,786	1,134
Funded by Council Tax	(12,652)	(12,652)	-
Overspend/Underspend	-	1,134	1,134

**2.2** The Net Cost of Services (NCS) budget of £21.678m includes the saving proposals of £1.186m that were approved as part of the MTFP. The table below shows the breakdown of the NCS forecast overspend between base operational budget and savings target, further details and commentary on the forecast overspend can be found in **Appendix B**.

<b>Table 2: Forecast Outturn on approved Savings</b>	2024/25 Budget	2024/25 Forecast Outturn	Variance
	£'000	£'000	£'000
Base NCS	22,864	23,811	947
Savings proposals	(1,186)	(1,004)	182
Total 2024/25 NCS	21,678	22,807	1,129

**2.3** Details of the specific savings and the progress made against these are shown in **Appendix C**.

**2.4** The revised capital budget for 2024/25 is £19.017m, plus £4.16m has been approved by Council not yet committed, is set out in **Appendix D**. The forecast outturn is £18.967m giving a variance of £50k underspend.

**2.5** The outstanding debt as at Quarter 1 was £2.9m. Debt over 365 days totals £1.8m. Following the restructure of the Strategic Finance service, the Transactions Team is now fully staffed and work has commenced on improving the aged debt position. Officers are currently in negotiations regarding a trial to pursue some of the older collectable debts and will have an update on the progress made at Quarter 2.

**Appendix E** provides the profile of the aged debt.

### **Mitigation of projected revenue overspend**

**2.6** It is best practice, followed by the council each year, to base the forecast outturn at quarter 1 on prudent income and expenditure projections which do not include overly optimistic assumptions, particularly regarding anticipated income. Quarter by quarter, projections will be refined, particularly as more accurate forecasts based on actual income can be included.

**2.7** Within this context, officers have identified a series of ways in which the forecast overspend at this stage can be mitigated. These include:

- Work underway to appeal the business rate revaluations which have led to higher increases in business rates than the council had anticipated and budgeted for
- Continued vigilance on vacancy management including holding post vacant prior to recruitment without using agency staff and extending the assumed vacancy period in line with the difficulties we are experiencing in timely recruitment in the current jobs market.
- Refocusing of efficiencies that can be achieved through the Transformation programme now that large projects, which have absorbed senior officers' time, have concluded or will do so soon, such as the opening of BEAM, negotiation of the waste management contract, establishment of the UK Shared Prosperity Fund Programmes
- Accelerating work to review and uplift rents the council charges on its assets, such as shops and car parks leased to others

- Introducing a new advertising and sponsorship policy and seeking to maximise income through these sources
- Alleviating the council's responsibility for business rates at Charringtons House if it is disposed of before the end of 2024/25. Consideration has been given to demolishing the building, however the cost of doing this is too high.

### **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 and Governance Committee and the Executive with forecasts to year end.

**3.2** The Executive is required to consider the budget forecasts and ensure that action is taken in relation to any expenditure overspends 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 council's revenue and capital budgets. Officers are keeping the situation under review and will alert members in a timely way if interventions are required.

### **6.0 Implications/Consultations**

**6.1** The Finance team have consulted with Heads of Service, service managers and budget holders in writing this report.

### **Community Safety**

None arising directly from this report.

## **Data Protection**

None arising directly from this report.

## **Equalities**

None arising directly from this report.

## **Environmental Sustainability**

None arising directly from this report.

## **Financial**

All financial implications are included in the report.

## **Health and Safety**

None arising directly from this report.

## **Human Resources**

None arising directly from this report.

## **Human Rights**

None arising directly from this report.

## **Legal**

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 and Governance Committee and the Executive with forecasts to year end.

## **Specific Wards**

No

## **7.0 Background papers, appendices and other relevant material**

**7.1** Budget 2024/25 and Medium Term Financial Plan – 28 February  
2024 Council meeting

## 7.2

Appendices	
A	2024/25 Revenue Budget & forecast outturn
B	Significant variances
C	2024/25 Savings
D	2024/25 capital programme and forecast outturn
E	Quarter 1 debtors position

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2024/25 Revenue budget - Qtr 1 Forecast outturn position

		2024/25 budget	Forecast outturn	Variance
		£'000	£'000	£'000
Net Cost of Services	Chief Executive & Directors	362	353	(9)
	Communications, Strategy & Policy	1,981	2,162	181
	HR & Organisational Development	597	516	(81)
	Strategic Finance & Property	2,124	2,396	272
	Centrally Managed Costs	657	1,002	345
	Housing & Health	2,178	2,118	(60)
	Democratic and Legal	1,571	1,506	(65)
	Planning & Building Control	2,238	2,406	168
	Operations	1,722	2,085	363
	Shared Revenues & Benefits Service	1,721	1,705	(16)
	Revenues & benefits retained costs	(465)	- 450	15
	Housing Benefit Subsidy	(371)	- 356	15
	Shared Business & Technology Services	2,774	2,775	1
	Revenue Costs Capitalised	(150)	- 150	-
	CERA	4,739	4,739	-
<b>Total Net Cost of Services</b>		<b>21,678</b>	<b>22,807</b>	<b>1,129</b>
Corporate Budgets	Minimum Revenue Provision	1,032	1,032	-
	Interest Payments on loans	2,955	2,955	-
	Interest & Investment income	(1,200)	(1,188)	12
	Pension Fund Deficit contribution	637	637	-
	<b>Corporate Budgets Total:</b>	<b>3,424</b>	<b>3,436</b>	<b>12</b>
Use of Reserve	Contributions to Earmarked reserves	652	652	-
	Contributions from Earmarked reserves	(3,000)	(3,000)	-
	<b>Net Use of Reserves:</b>	<b>(2,347)</b>	<b>(2,348)</b>	<b>-</b>
<b>Net Cost of Services Total:</b>		<b>22,755</b>	<b>23,895</b>	<b>1,140</b>
Funding	Retained Business Rates - Business Rates	(2,933)	(2,933)	-
	Retained Business Rates - Section 31 Grants	(1,361)	(1,361)	-
	(Surplus)/Deficit on collection fund	(500)	(500)	-
	General Government Grants	(1,999)	(1,999)	-
	New Burdens Funding - food waste collection	(1,501)	(1,501)	-
	Revenue Support Grant	(111)	(118)	(7)
	New Homes Bonus Grant	(1,697)	(1,697)	-
<b>Non Departmental Budgets Total:</b>		<b>(10,102)</b>	<b>(10,109)</b>	<b>(7)</b>
<b>Total:</b>		<b>12,652</b>	<b>13,786</b>	<b>1,134</b>



## Summary of significant variances – Qtr 1 2024/25

Budget area	2024/25 budget £000	Forecast outturn £000	Variance  £000	Reason for variance
<b>VARIANCE AGAINST BASE OPERATIONAL BUDGETS</b>				
NNDR	1,588	1,861	273	National Non Domestic Rates bills for Multistorey car parks and Wallfields are significantly higher than budgeted due to the 2023 Business Rate Revaluation. The property team will engage agents to appeal the revaluation in an attempt to reduce the liability, however there is no guarantee of success.
Transformation, staff restructuring costs	0	133	133	Service restructuring under the Transformation programme has resulted in one-off costs of £133k.
Planning service – staffing costs & reduced planning income	2,238	2,406	168	<p>Planning is currently forecasting to be £168k overspent at year end. At present this is due to the following:</p> <ul style="list-style-type: none"> <li>- Decrease in planning applications as a result of rising construction costs and overall cost of living crisis which has the effect of reducing actual income against budget income.</li> <li>- Ongoing recruitment difficulties which have meant that the service continues to use consultants to assist with the workload and planning application backlog.</li> </ul>
BEAM	(548)	(367)	181	At BEAM, income projected to be lower than anticipated this year given the phased opening also a lack of a year zero budget which has resulted in higher expenditure.
Charringtons House	0	333	333	Charringtons House was closed to tenants on 31 March 2023, the council remains liable for costs in relation to business rates and utilities.
Buntingford Depot	210	333	123	A rent review has been undertaken in respect of Buntingford Depot which has resulted in additional costs of £123k.

Budget area	2024/25 budget £000	Forecast outturn £000	Variance £000	Reason for variance
<b>VARIANCE AGAINST BASE OPERATIONAL BUDGETS</b>				
Miscellaneous assets, rent	(329)	(414)	(85)	Rent reviews have been undertaken on council owned assets which has resulted in rental income overachieving the budget.
Legal & Democratic Services	513	464	(49)	Underspend forecast against salary budget of £49k following restructure of Democratic Services team.
Housing & Health, salaries	2,905	2,846	(59)	Underspend on salaries due to vacant posts
<b>VARIANCE AGAINST SAVINGS TARGETS</b>				
Senior Management Restructure	(250)	(239)	11	
Avoidable contacts	(24)	0	24	Savings to be realised following implementation of Corporate Support Hub
Wallfields – renting out part of building	(117)	(90)	27	Savings built in with assumption of rent received from part way through the year, due to ongoing negotiations this date hasn't been achievable therefore the saving won't be achieved in full in 2024/25
Xeroboxes	(20)	0	20	Removal of xeroboxes from Wallfields to be implemented following upgrade of wifi
Procurement Act 2023 changes	(50)	0	50	Discussions underway with Stevenage Borough Council
Intranet	(28)	0	28	Work on replacing the hosted intranet underway, saving to be realised in 2025/26
Advertising on Assets	(18)	0	18	
<b>Total</b>	<b>6,070</b>	<b>7,266</b>	<b>1,196</b>	
Other minor balances	15,608	15,541	(67)	
<b>Overall total</b>	<b>21,678</b>	<b>22,807</b>	<b>1,129</b>	

## Savings under officer delegation

Description	Details	LT lead	Saving on track to be achieved		Variance
			2024/25 proposal £	£	
Senior Management Restructure	External support will be procured to assist with the organisational design and will adhere to the principles of Transforming East Herts in that decision making and accountability will be devolved to the appropriate lowest part of the organization, nearest to the customer and that we avoid hierarchical decision making passing up and down chains of management.	Chief Executive	250,000.00	238,941.00	11,059.00
			2,500.00	2,500.00	-
			5,900.00	5,900.00	-
			47,700.00	47,700.00	-
Ban on overtime payments	Staff overtime payments to be stopped and time off in lieu only available for extra hours worked.	Head of HR & OD	-	20,500.00	-
			164,400.00	164,400.00	-
Shared Revenues and Benefits Service Review	An external consultant has been procured to review the Shared Service and report back on efficiencies that should be possible.	Deputy Chief Executive	200,000.00	200,000.00	-
Leisure Project Manager	Intention is to shift the current project manager onto Old River Lane and delete the existing post. In the meantime, officers are in discussion with North Herts regarding them paying for some of the existing project manager's time over 24/25 to assist with their projects (£30,000).	Head of Communications, Strategy & Policy	30,000.00	26,473.00	3,527.00
Legal Services charges	Maximising legal income from new lawyers in post from early 2024. We are already seeing £2,400 per month from 'selling' the time of the Litigation and Advisory Solicitor to a neighbouring council. We could try and match that income from the incoming Planning Solicitor and Contracts and Procurement Solicitor in due course.	Head of Legal & Democratic Services	28,000.00	28,000.00	-
Avoidable contacts	The Lean 6 Sigma group be asked to look at ways of closing feedback loops to customers so that they are kept up to date with progress of their request. The aim should be, as a minimum, to free up the equivalent time of 1.5 FTE across the council and a post can either remain vacant on when a vacancy arises that post can remain unfilled.	Head of Communications, Strategy & Policy	24,000.00	-	24,000.00
Wallfields	Rent out part of Wallfields to a commercial tenant and reduce the council's space requirement to c.110 desks to match the max office attendance under blended working.	Head of Legal & Democratic Services	117,000.00	90,000.00	27,000.00
Xeroboxes	The council currently has around 300 HP Xero boxes on desks at Wallfields that deliver the virtual desktop operating environment from application servers in the data centre. Each Xero box requires an annual licence. It is proposed that staff working in the office will need to bring their laptop to work and plug it into a docking station on the desk. The Xero boxes would then be decommissioned and would no longer require an annual licence.	Deputy Chief Executive	20,000.00	-	20,000.00
Maximise Housing Benefit in Hostels	The council has three hostels which provide temporary self contained accommodation for homeless persons to avoid the use of Bed and Breakfast hotels and also to provide targeted support services for client groups such as single homeless persons who have addiction issues, so that they can move into settled housing. Housing Benefit is payable on eligible support costs but the council has traditionally not maximised the amount of benefit that can be paid for eligible support services. The Housing Service has sought ways to maximise rent and service charges that can be met from Benefit and therefore increase the amount recoverable from benefit without making new charges on hostel residents.	Head of Housing & Health	100,000.00	100,000.00	-

Procurement Act 2023 changes	Procurement Act 2023 requires a 3 year procurement pipeline to identify upcoming procurements. We will also re-engineer our processes to require the Shared Procurement Team input before any procurement starts. We will also educate and promote Frameworks as a procurement solution.	Head of Strategic Finance & Property	50,000.00	-	50,000.00
AllPay contract	Currently we pay for a Girobank account and require cash payments to be made at Nat West bank and we have chaques being sent in the post which we wish to stop so we do not have to receipt and bank them. Using a Procurement Framework we will open an account with AllPay. This will allow payments by cash, cheque and card at any Post Office and by cash and card at any PayPoint outlet. Pushing transactions to these outlets increases the likelihood that they will remain open.	Head of Strategic Finance & Property	1,000.00	1,000.00	-
Payment card processing charges	Through a review of merchant acquiring charges a £25k reduction should be possible given the overall quantum of transactions and the number of Merchant IDs the council has.	Head of Strategic Finance & Property	6,700.00 300.00 18,000.00	6,700.00 300.00 18,000.00	- - -
Intranet	The current intranet is hosted by Invotra for which an annual hosting charge is paid. The proposal is to replace the hosted intranet with MS Teams and MS Sharepoint, the costs of which are included as part of our Microsoft licence.	Head of Communications, Strategy & Policy	28,000.00	-	28,000.00
Insource payment processing for Garden Waste	Currently payment processing for garden waste is undertaken by the refuse contractor as neither North Herts or East Herts has the payment infrastructure in place. CT are due to enable direct debits to be taken for sundty debtors and the new payments system Adelante has more functionality than the current ICON system and will be able to do paperless direct debit sign up and also send payment links via email. Once in place then the payments process can be insourced.	Head of Strategic Finance & Property	30,000.00	30,000.00	-
<b>Total savings under officer delegation</b>			<b>1,103,000.00</b>	<b>939,414.00</b>	<b>163,586.00</b>

## Savings requiring member decision

Description	Details	LT lead	Saving on track to be achieved		Variance
			2024/25 proposal £	£	
HGGT Joint Committee	Harlow and Gilston was designated as a Garden Town by the Department for Homes, Communities and Local Government in January 2017 and will comprise new and existing communities in and around Harlow. To support delivery and joint working the programme is currently being overseen by the Garden Town Board which will be replaced by a Joint Committee and Delivery Team. The saving proposed is £15k representing a 10% reduction. This would mean the Council's contribution to the core funding of HGGT would be £135K for 2024/2025. This is considered to be an appropriate saving whilst still providing a meaningful contribution to the operation of HGGT.	Head of Planning & Building Control	15,000.00	15,000.00	-
Advertising on assets	Currently the council does not have advertising space on or in its physical assets, or on its websites. Income generation from sponsorship is extremely low, is done only by individual initiative within some services and there is no policy in place to provide a framework for officers to operate within. A draft advertising and sponsorship policy has been written and was taken, along with an asset listing, to the market to gauge potential income levels.	Head of Strategic Finance & Property	18,000.00	-	18,000.00
Grounds maintenance contract	Current Grounds Maintenance contract costs £1.3 million per annum. The contractor often struggles to recruit staff and meet the contract specification. In negotiation with the contractor, reduce the specification by £50k per annum.	Head of Operations	50,000.00	50,000.00	-
<b>Total savings requiring member decision</b>			<b>83,000.00</b>	<b>65,000.00</b>	<b>18,000.00</b>
<b>Total savings 2024/25</b>			<b>1,186,000.00</b>	<b>1,004,414.00</b>	<b>181,586.00</b>

### Capital Forecast Outturn Quarter 1 - June 2024

	Carry Forward from	Revised Budget	Forecast Outturn	Variance
	2023/24	2024/25	2024/25	2024/25
	£'000	£'000	£'000	£'000
<b>Land and Buildings</b>				
Investment in operational assets	238	589	589	0
Buntingford Depot	-	800	800	0
Hertford Theatre	749	4,815	4,815	0
Old River Lane and Arts Centre	0	552	552	0
URC Church Hall	0	170	170	0
Hostels	0	270	270	0
Pinehurst Community Hall	180	180	180	0
<b>Infrastructure</b>				
Bridges	262	262	262	0
<b>Vehicles and Equipment</b>				
Rolling programme to be utilised on ICT projects subject to ITSG review	0	450	450	0
Refuse & Recycling - cleansing vehicles	0	8,000	8,000	0
Refuse & recycling - containers	0	1,680	1,680	0
<b>Community Assets</b>				
Replacement play equipment across the district (in response to the Condition Audit to be reviewed in 2018/19)	0	50	50	0
Bishops Stortford Castle Park - HLF	633	633	633	0
Hertford Castle Grounds - Development Phase - HLF	0	363	363	0
Parks & Open Spaces	153	153	153	0
<b>Revenue Expenditure Funded as Capital Under Statute (REFCUS)</b>				
Community Capital Grants	0	50	0	(50)
<b>Current Capital Programme Budget Total</b>	<b>2,215</b>	<b>19,017</b>	<b>18,967</b>	<b>(50)</b>

<b>Approved But Not Yet Committed</b>
Transformation Programme
Home Improvement Loans
Historic Building Loans
Capital Contingency - Major Projects
<b>Current Capital Programme Budget Total</b>

<b>£'000</b>
2,500
140
20
1,500
<b>4,160</b>