

East Herts Council Report

Audit and Governance Committee

Date of Meeting: 14 September 2021

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

Report title: Quarterly Corporate Budget Monitor – Quarter 1 – June 2021

Ward(s) affected: All

Summary

- To provide a report on financial monitoring for East Herts Council for 2021/22 as at 30th June 2021.
- The net revenue budget for 2021/22 is £11.056m as set out in table 1, this is funded by Council Tax. The forecast outturn as at 30th June 2021 predicts an over spend of £0.082 million at the year end.
- The revised capital budget for 2021/22 is £50.039 million, which includes £4.171m carried forward from 2020/21 to be approved as part of the Provisional Outturn report.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a. The net revenue budget forecast over spend of £0.082 million in 2021/22 be noted (table 1); and**
- b. The revised capital budget for 2021/22 of £50.039million, which includes £4.171m carried forward from 2020/21 to be approved as part of the Provisional Outturn report, and the**

forecast zero variance to that budget be noted.

1.0 Proposal(s)

1.1 Not applicable

2.0 Background

2.1 This report sets out the financial position for the financial year 2021/22 to date and provides forecasts for the outturn position.

2.2 The Council's revenue budget is made up of 5 areas; these are shown in table 1. The report that follows provides details of the forecast outturn position against these areas.

Table 1 – 2021/22 Revenue Forecast Outturn

	Original Budget 2021/22	Forecast outturn	Variance
	£'000	£'000	£'000
Net Cost of Services	16,787	16,193	126
Corporate Budgets	(16)	(16)	-
Net Use of Reserves	2,485	2,441	(44)
Funding	(8,200)	(8,200)	-
Net Revenue Spend	11,056	11,138	82
Funded by Council Tax	(11,056)	(11,056)	-
Over spend / (Under spend)	-	82	82

2.3 The report contains the following sections and Appendices:

Background Report Sections	
2.6	Net Cost of Services
2.14	Corporate budgets
3.0	Reserves
4.0	Funding
5.0	Capital budgets
6.0	Debtors

Appendices	
A	Capital
B	Debtors

2.4 Net Cost of Services

The Council's net cost of services budget for 2021/22 is £16.787m, which includes carry forwards from previous year's budget of £414k of which £404k is for Shared Business and Technology and £10k for Housing and Health.

2.5 An over spend of £0.126 million is forecast in 2021/22. Table 2 overleaf shows this current forecast outturn position broken down by service area.

2.6 As reported previously, the Council's income and expenditure continues to be impacted by the Covid-19 pandemic. This report contains estimates of the Covid-19 income loss scheme funding from the government to support the loss of fees and charges income and also Local Authority support grant.

2.7 For the first quarter of 2021/22, the sales, fees and charges compensation grant scheme will operate on the same basis as last year's scheme which involves a 5% deductible rate, whereby councils will absorb losses up to 5% of their budgeted sales, fees and charges income, with the government compensating them for 75p in every pound of relevant loss thereafter. This

will then allow the budgets for the remaining quarters to be better profiled to reflect seasonal changes in budgeted income.

Table 2 – Net Cost of Services

	Original Budget 2021/22 £(000)	Forecast Outturn £(000)	Grant Funding £(000)	Revised Forecast Outturn £(000)	Variance £(000)
Chief Executive	401	393		393	(8)
Communications, Strategy & Policy	1,366	1,366		1,366	0
HR & Organisational Development	561	533		533	(28)
Strategic Finance & Property	1,773	1,904		1,904	131
Housing & Health	2,542	2,621	(25)	2,596	54
Legal & Democratic	1,411	1,429		1,429	18
Planning	1,202	1,430	(129)	1,301	99
Operations	3,989	4,133	(144)	3,989	0
Shared Revenues & Benefits Service	1,724	1,724		1,724	0
Revenues & Benefits retained costs	(465)	(633)		(633)	(168)
Housing Benefit Subsidy	(550)	(496)		(496)	54
Shared ICT Service	2,595	2,569		2,569	(26)
Capital Expenditure Charged to a Revenue Account	238	238		238	0
Net Cost of Services	16,787	17,211	(298)	16,913	126

2.2 The use of reserves to fund Net Cost of Services expenditure is included in section 3.0.

2.3 HR and Organisational Development

A forecast under spend of £28k is reported. Most of this relates to an under spend on salary budgets due to no further recruitment of apprentices due to posts being hold until the impact of the Transforming East Herts Programme becomes clearer.

2.4 Strategic Finance and Property

A forecast over spend of £131k is reported, this relates to:

- £114k reduced rental income from Charrington's House due to redevelopment of the site.
- £26k increase in service charge and business rates costs due to vacant space in building as site is to be redeveloped.

2.5 Housing and Health

A forecast over spend of £54k is reported for this service. This is mostly due to a forecast under-recovery of licence fees for licensed premises, gambling and taxis and maternity cover costs net of savings across budget centres.

2.6 Planning and Building control

A forecast over spend of £99k is reported against this service. However this is offset by £208k for salary funding from reserves for the Gilston Garden Town project and increased fee income due to number of planning applications being submitted up by 41% compared to this time last year.

2.7 Revenues and Benefits Retained Costs

The revenues and benefits retained costs budget is forecast to overachieve by £168k. This consists of additional central government new burdens funding net of expenses as a result of the pandemic.

2.8 Shared ICT Service

A forecast under spend of £26k is reported against this service. This primarily relates to print costs and management costs which are forecasted to cost less than the budgeted amount. Additionally, £404k unspent from 2020/21 budgets has been carried forward into this financial year, which is forecast to be spent in 2021/22.

2.9 Corporate Budgets

Corporate budgets are costs and income received by the Council that are not service specific, these include income from the Council’s investments and pension deficit contributions. Table 3 shows the forecast outturn position against the corporate budgets.

Table 3 – Corporate budgets 2021/22 forecast outturn

	Original Budget 2021/22	Forecast outturn	Variance
	£'000	£'000	£'000
Interest & Investment Income	(750)	(750)	-
Pension Fund Deficit contribution	734	734	-
Corporate Budget Total	(16)	(16)	-

3.0 Reserves

3.1.1 The Council holds earmarked reserves to fund unpredictable

financial pressures and to smooth the effect of known spending over time. Table 4 reflects the forecast outturn position as at 30th June 2021.

Table 4: Use of reserves 2021/22

	2021/22 Budget	2021/22 Forecast Outturn	Variance
	£'000	£'000	£'000
Contributions to reserves	3,369	3,369	-
Contributions from reserves	(769)	(813)	(44)
Use of General reserve	(414)	(414)	-
Contribution to Priority spend Reserve	299	299	-
Use of Reserves:	2,485	2,441	(44)

3.1.2 It is forecasted that there will be a contribution from reserves of £813k in 2021/22. This is made up of funding for items included in the Net Cost of Services such as Harlow Gilston Garden Town project costs and the smoothing of the leisure contract costs, approved as part of the 2021/22 budget setting.

3.1.3 In addition to above, £414k will be utilised from the General reserve. This consists of carry forwards from unspent budgets in the previous year with £404k for Shared Business and Technology service and £10k for Housing and Health service.

4.0 Funding

These income budgets are general and non-service specific income sources. The table below shows the value and source of these funding streams as at 30 June 2021.

Table 5: 2021/22 funding

	Original Budget 2021/22	Forecast Funding 2021/22	Variance
Business Rates	(2,721)	(2,721)	-
(Surplus)/Deficit on collection fund	2,455	2,455	-
Gov. support grant	(874)	(874)	-
Section 31 grants	(4,666)	(4,666)	
Capital salaries	(150)	(150)	
New Homes Bonus	(2,244)	(2,244)	-
Total Funding	(8,200)	(8,200)	-

4.1.1 The impact on collection rates for both Council Tax and Business Rates as a result of Covid-19 is being closely monitored by officers.

5.0 Capital Programme

5.1.1 The revised capital budget for 2021/22 is £50.039 million, which includes £4.271 million slippage from 2020/21 carried forward, subject to approval as part of the 2020/21 Provisional Outturn report.

5.1.2 Appendix A provides a breakdown of the 2021/22 revised capital budget against the forecast outturn. There are no variations to budget to report this quarter.

6.0 Debtors

6.1.1 The total outstanding debt as at 30th June 2021 is £2.383m, a decrease of £376k since year end position

6.1.2 The outstanding debt over 120 days totals £1.774m, an increase of £494k from the position reported at year end

6.1.3 As reported previously there has been an increase in aged debt due to the current nationwide pandemic. However officers have been proactively working with debtors in agreeing payment plans/deferrals in order to pursue the debt.

6.1.4 An exercise to write off old debts due to bankruptcy etc. is still under way and will be reported to Executive for approval.

6.1.5 Appendix B analyses the profile of aged debtors.

7.0 Reason(s)

7.1 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.

7.2 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.

8.0 Options

8.1 Not applicable

9.0 Risks

9.1 Costs may increase and income may decrease due to the pandemic if a vaccine resistant variant should emerge resulting in the resumption of lockdowns.

10.0 Implications/Consultations

Consultation was undertaken with budget managers/finance

contacts to assist 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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The Executive considers the budget forecasts and ensures 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.

Specific Wards

None

11.0 Background papers, appendices and other relevant material

Appendix A: Capital

Appendix B: Debtors

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