

East Herts Council Report

Executive

Date of Meeting:	8 February 2022
Report by:	Councillor Geoff Williamson, Deputy Leader & Executive Member for Financial Sustainability
Report title:	Financial Management 2021/22 – Quarter 2 Forecast to Year End
Ward(s) affected:	All

Summary

- To provide a report on financial monitoring for East Herts Council for 2021/22 as at 30th September 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 September 2021 predicts an overspend of £132k at the year end.
- The revised capital budget for 2021/22 is £57.060m, with a forecast underspend of £15.825m, which will be carried forward to 2022/23.

RECOMMENDATIONS FOR EXECUTIVE:

That Executive note:

- a. The net revenue budget forecast overspend of £132k in 2021/22 ; and**
- b. The revised capital budget for 2021/22 of £57.060m, with a forecast underspend of £15.825m, which will be carried forward to 2022/23.**

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 report was considered by Audit and Governance Committee at its meeting on 25 January 2022. There were no comments.

2.3 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	16,778	(9)
Corporate Budgets	(16)	(66)	(50)
Net Use of Reserves	2,485	2,382	(103)
Funding	(8,200)	(7,906)	294
Net Revenue Spend	11,056	11,188	132
Funded by Council Tax	(11,056)	(11,056)	-
Overspend / (Underspend)	-	132	132

2.4 The report contains the following sections and Appendices:

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

Appendices	
A	Capital
B	Debtors
C	Strategic Risk Register

2.5 Net Cost of Services

2.6 The Councils 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.

2.7 An underspend of £9k is forecast in 2021/22. Table 2 overleaf shows this current forecast outturn position broken down by service area.

2.8 As reported previously, the Councils 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.

2.9 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	Forecast outturn	Grant funding	Revised outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Chief Executive & Directors	401	385	-	385	(16)
Communications, Strategy & Policy	1,386	1,315	-	1,315	(71)
HR & Organisational Development	566	535	-	535	(31)
Strategic Finance & Property	2,670	2,810	-	2,810	140
Housing & Health	2,577	2,595	(25)	2,570	(7)
Democratic and Legal	1,411	1,419	-	1,419	8
Planning & Building Control	1,202	1,454	(129)	1,325	123
Operations	3,058	3,331	(144)	3,187	129
Shared Revenues & Benefits Service	1,724	1,720	-	1,720	(4)
Revenues & benefits retained costs	(465)	(672)	-	(672)	(207)
Housing Benefit Subsidy	(550)	(586)	-	(586)	(36)
Shared Business & Technology Services	2,570	2,533	-	2,533	(37)
CERA	238	238	-	238	-
Total Net Cost of Services	16,787	17,076	(298)	16,778	(9)

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

2.11 Communications, Strategy & Policy

A forecast underspend of £71k is reported against this service. This is mostly driven by salary underspends across communications and customer services due to limited reception opening hours. This will be kept under review.

2.12 HR & Organisational Development

A forecast underspend of £30k is reported. Most of this relates to an underspend on salary budgets due to no further recruitment of apprentices mostly driven by changing ways of working.

2.13 Strategic Finance & Property

A forecast overspend of £140k is reported, this relates to:

- £106k reduced rental income from Charrington's House due to redevelopment of site.
- £21k increase in service charge and business rates costs due to vacant space Charrington's House as site is to be redeveloped.
- £20k reduction in rental income from Wallfields old building due to termination of Citizens Advice Bureau's contract. This vacant space is being utilised as storage for items from Hertford Theatre which would have incurred a cost if stored elsewhere

2.14 Planning & Building control

A forecast overspend of £123k is reported against this service, net of anticipated government grant income to cover losses in fees and charges. Most of this relates to an increase in costs relating to the Harlow Gilston Garden Town project, which will be offset by funding from reserves.

2.15 Operations

A forecast overspend of £129k is reported against the Operations service, which is net of anticipated government grant income to cover losses in fees and charges. Part of this relates to a reduction in income from the closure of joint use pools in leisure services from Q1 due to the pandemic. Additionally, due to the uncertainty of Covid-secure guidance for live shows, the

Hertford Theatre Xmas show production will be reduced to minimise loss in income.

2.16 Revenues & Benefits Retained Costs

The revenues and benefits retained costs budget is forecast to overachieve by £207k. This consists of additional central government new burdens funding net of expenses as a result of the pandemic.

2.17 Housing Benefit Subsidy

The housing benefit subsidy budget is forecast to overachieve by £36k. This is due to grant income being higher than anticipated.

2.18 Shared Business & Technology Services

A forecast underspend of £37k is reported against this service. 50% of this relates to savings identified on licence costs to date and the remainder due to slippage of IT projects. As mentioned previously, £404k unspent from 2020/21 budgets has been carried forward into this financial year, this will be spent in 2021/22.

2.19 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)	(800)	(50)
Pension Fund Deficit contribution	734	734	-
Corporate Budget Total	(16)	(66)	(50)

2.20 The interest & investment income budget is forecasted to overachieve by £50k. This is due to returns being higher than anticipated

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 September 2021.

Table 4: Use of reserves 2021/22

	2021/22 Budget	2021/22 Forecast Outturn	Variance
	£'000	£'000	£'000
Contributions to reserves	3,369	3,146	(223)
Contributions from reserves	(769)	(649)	120
Use of General reserve	(414)	(414)	-
Contribution to Priority spend Reserve	299	299	-
Use of Reserves:	2,485	2,382	(103)

3.1.2 It is forecast that there will be a contribution from reserves of £649k in 2021/22, which is £120k less than budgeted for. This is mostly due anticipated reserve funding not required to fund net cost of services at present.

3.1.3 It is forecast that contribution to reserves will be £223k lower than budgeted for. This is due to utilising government grant expenditure in year to fund net cost of services.

3.1.4 The use of reserves will continue to be monitored and an update will be provided at quarter 3.

3.1.5 As mentioned previously and 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 30th September 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)	(652)	222
Section 31 grants	(4,666)	(4,666)	
Capital salaries	(150)	(78)	72
New Homes Bonus	(2,244)	(2,244)	-
Total Funding	(8,200)	(7,906)	294

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.

4.1.2 A variance of £222k is reported against the Government support grant in the table above. This is due to grant income accounted for within the net cost of services.

4.1.3 Additionally, a variance of £72k is reported against the Capital salaries budget in the table above. This is due to funding lower number of posts through

capital than anticipated.

5.0 Capital Programme

5.1.1 The revised capital budget for 2021/22 is £57.060m, with a forecast underspend of £15.825m, resulting from delayed major project spend, which will be carried forward to 2022/23.

5.1.2 The revised budget has increased by £514k, being the agreed budget to fund the purchase of a new hostel and required conversion costs.

5.1.3 Appendix A provides a breakdown of the 2021/22 revised capital budget against the forecast outturn and 2022/23 carry forward. Other than the delayed major project underspend, there are no further variations to budget to report this quarter.

6.0 Debtors

6.1.1 The total outstanding debt as at 30th September 2021 is £3.499m, an increase of £1.116m since reported at Q1. Two large invoices totalling over £1m were raised in late September, one of which has since been paid and the other due to be paid imminently. A large long term debt is currently with Legal Services who are pursuing the contractual dispute resolution route prior to potential court action for recovery.

6.1.2 The outstanding debt over 120 days totals £943k, a decrease of £831k from the position reported at Q1

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 As mentioned previously, 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 Members have the option to accept the forecast budget overspend or to ask officers to identify budgeted spending that could be stopped in order to rebalance the budget in-year. At present, the forecast overspend is relatively small and related to external economic factors and Members are recommended to accept the forecast overspend.

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.

9.2 As recommended by Audit and Governance Committee, the Strategic Risk Register is appended to this report so that Members of the Executive are aware of strategic risk and the potential impacts on the budget. Please see appendix C

10.0 Implications/Consultations

Consultation was undertaken with budget managers/finance contacts to assist 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 this 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 & Governance Committee and the Executive with expenditure forecasts to the year end.

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

Appendix C: Strategic Risk Register

Contact Member

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