

# East Herts Council Report

## Audit & Governance Committee

### Date of Meeting:

Audit & Governance Committee – 5 April 2022

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

**Report title:** Financial Management Quarter 3 Forecast to Year End - Quarterly Corporate Budget Monitor

**Ward(s) affected:** ALL

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### Summary

- To provide a report on financial monitoring for East Herts Council for 2021/22 as at 31<sup>st</sup> December 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 31<sup>st</sup> December 2021 predicts an overspend of £95k at the year end.
- The revised capital budget for 2021/22 is £56.656m, with a forecast underspend of £27.669m, of which £27.603m will be carried forward to 2022/23.

### RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE:

- a. The net revenue budget forecast overspend of £95k in 2021/22 be noted (table 1);**
- b. That the revised capital budget of £56.676m for 2021/22, has a forecast underspend of £27.669m, of which £27.603m will be carried forward to 2022/23 (appendix A) 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

	<b>Original Budget 2021/22 £'000</b>	<b>Forecast outturn £'000</b>	<b>Variance £'000</b>
Net Cost of Services	16,787	16,677	(110)
Corporate Budgets	(16)	(66)	(50)
Net Use of Reserves	2,485	2,446	(39)
Funding	(8,200)	(7,906)	294
<b>Net Revenue Spend</b>	<b>11,056</b>	<b>11,151</b>	<b>95</b>
Funded by Council Tax	(11,056)	(11,056)	-
<b>Overspend / (Underspend)</b>	-	<b>95</b>	<b>95</b>

2.3 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

#### 2.4 Net Cost of Services

- 2.5 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.
- 2.6 An underspend of £110k is forecast in 2021/22. Table 2 overleaf shows this current forecast outturn position broken down by service area.
- 2.7 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.
- 2.8 For the first quarter of 2021-22, the sales, fees and charges compensation grant scheme operated 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

	<b>Original Budget 2021/22</b>	<b>Forecast outturn</b>	<b>Grant funding</b>	<b>Revised outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive & Directors	401	385	-	385	(16)
Communications, Strategy & Policy	1,386	1,366	-	1,366	(20)
HR & Organisational Development	578	522	-	522	(56)
Strategic Finance & Property	2,653	2,732	-	2,732	79
Housing & Health	2,581	2,599	(25)	2,574	(7)
Democratic and Legal	1,426	1,417	-	1,417	(9)
Planning & Building Control	1,202	1,336	(129)	1,207	5
Operations	3,057	3,358	(144)	3,214	157
Shared Revenues & Benefits Service	1,725	1,713	-	1,713	(12)
Revenues & benefits retained costs	(465)	(654)	-	(654)	(189)
Housing Benefit Subsidy	(550)	(491)	-	(491)	59
Shared Business & Technology Services	2,555	2,454	-	2,454	(101)
CERA	238	238	-	238	-
<b>Total Net Cost of Services</b>	<b>16,787</b>	<b>16,975</b>	<b>(298)</b>	<b>16,677</b>	<b>(110)</b>

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

2.10 Communications, Strategy & Policy

A forecast underspend of £20k is reported against this service. This is mostly driven by salary underspends for posts which no longer exist and will be deleted for the 2022/23 budget

2.11 HR & Organisational Development

A forecast underspend of £55k is reported against this service. £36k relates to an underspend on salary budgets due to no further recruitment of apprentices this year. £18k relates to salary saving due to vacant admin post.

2.12 Strategic Finance & Property

A forecast overspend of £79k is reported, this relates to:

- £92k reduced rental income from Charrington's House due to redevelopment of site.
- £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
- £39k additional rental income following rent reviews on some of the Councils rental properties

2.13 Operations

An overspend of £157k is forecasted against this service. Pay and Display receipts have been below budget in 2021/22. For the first quarter grant income of £144k (as detailed in paragraph 2.8) has been claimed to offset losses caused by government restrictions. Pay and display income levels continue to be impacted across

the district, especially in Hertford. This may be due in part to reduced numbers of businesses in the town and also the closure of Hertford Theatre. An underachievement of parking income of £130k is forecast.

#### 2.14 Revenues & Benefits Retained Costs

The revenues and benefits retained costs budget is forecast to overachieve by £189k. This consists of additional central government new burdens funding received as a result of the pandemic, net of expenses.

#### 2.15 Shared Business & Technology Services

A forecast underspend of £101k is reported against this service. As reported at Q2, most of this relates to savings identified on licence costs to date and slippage of IT projects. Additionally, there are some salary savings identified due to vacant post. As mentioned previously, £404k unspent from 2020/21 budgets has been carried forward into this financial year, this will be spent in 2021/22.

#### 2.16 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

	<b>Original Budget 2021/22</b>	<b>Forecast outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest & Investment Income	(750)	(800)	(50)

Pension Fund Deficit contribution	734	734	-
<b>Corporate Budget Total</b>	<b>(16)</b>	<b>(66)</b>	<b>(50)</b>

2.17 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 31<sup>st</sup> December 2021.

Table 4: Use of reserves 2021/22

	<b>2021/22 Budget</b>	<b>2021/22 Forecast Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contributions to reserves	3,369	3,146	(223)
Contributions from reserves	(769)	(585)	184
Use of General reserve	(414)	(414)	-
Contribution to Priority spend Reserve	299	299	-
<b>Use of Reserves:</b>	<b>2,485</b>	<b>2,446</b>	<b>(39)</b>

3.1.2 It is forecast that there will be a contribution from reserves of £585k in 2021/22, this is £184k less than budgeted for. At this time services have either secured additional funding or reduced costs, which lessens the requirement to utilise reserves.

3.1.3 It is forecast that contribution to reserves will be £223k lower than budgeted for. This is due to government grant received in year being spent in year rather than transferred to reserve.

3.1.4 As mentioned in paragraph 2.5 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 31<sup>st</sup> December 2021.

Table 5: 2021/22 funding

	<b>Original Budget 2021/22</b>	<b>Forecast Funding 2021/22</b>	<b>Variance</b>
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)	-
<b>Total Funding</b>	<b>(8,200)</b>	<b>(7,906)</b>	<b>294</b>



- 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 £56,656m, with a forecast underspend of £27.669m, mainly resulting from delayed major project spend, of which £27.603m will be carried forward to 2022/23.
- 5.1.2 The revised budget has reduced by £404k, due to both Buntingford depot projects moving to the 'Approved But Not Yet Committed' table .
- 5.1.3 Appendix A provides a breakdown of the 2021/22 revised capital budget against the forecast outturn and 2022/23 carry forward.
- 5.1.4 There have been a number of increases to the carry forward figures due to delays.

## 6.0 Debtors

- 6.1.1 The total outstanding debt as at 31<sup>st</sup> December 2021 is £2.2m, a reduction of £1.6m since reported at Q2. Of the £2.2 m outstanding as at Q3, several large invoices amounting to £1.4m have since been

paid.

6.1.2 The outstanding debt over 120 days totals £1.4m, an increase of £147k from the position reported at Q2. Officers are actively pursuing this debt.

6.1.3 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.

6.1.4 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**

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

### **Contact Member**

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