

East Herts Council Report

Leadership Team Meeting

Date of Meeting: Tuesday 16 January 2024

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

Report title: Financial Management 2023/24 – Quarter 2 Forecast to Year End

Ward(s) affected: All

Summary

- The net revenue budget for 2023/24 is £12.113m as set out in table 1, this is funded by Council Tax. The forecast outturn as at 30th September 2023 predicts an overspend of £491k.
- The revised capital budget for 2023/24 is £29.552m, plus £2.954m is approved but not yet committed, as set out in Appendix C. The forecast outturn is £33.950m giving a variance of £4.398m.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE:

(A) The net revenue budget forecast overspend of £491k be noted;

(B) The capital programme forecast outturn of £33.950m be noted.

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 2023. 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 high inflation. The report provides details of the forecast outturn position against budgets set in March 2023.

2.2 The 2023/24 net revenue budget is £12.113m. the table below shows the budget alongside the 2023/24 forecast outturn as at Quarter 2. A breakdown of the revenue budget and forecast outturn can be found in **Appendix A:**

	2023/24 Budget	2023/24 Forecast outturn	Variance
	£'000	£'000	£'000
Net Cost of Services	17,230	17,873	643
Total corporate budgets	1,173	1,166	(7)
Total reserves	(818)	(963)	(145)
Total Funding	(5,472)	(5,472)	-
Net revenue spend	12,113	12,604	491
Funded by Council Tax	(12,113)	(12,113)	-
Overspend/(underspend)	-	491	491

2.3 With high inflation, the cost of living crisis has impacted on the Councils spending with contract costs, utilities and salary 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 and also the return that the Council can achieve on its investments. A summary of significant variances is provided in Appendix B, this gives details of the £491k overspend.

- 2.4** The revised capital budget for 2023/24 is £29.552m, plus £2.954m approved but not yet committed, as set out in Appendix C. The forecast outturn is £33.950m giving a variance of £4.398m.

The main variances being the projected overspend on the Hertford Theatre build which officers are working to bring down and the saving achieved by the withdrawal of planned building works at Elizabeth Road. Appendix C provides a further breakdown of the capital projects.

- 2.5** The outstanding debt as at Quarter 2 was £2.5m, this is down by £1.1m from £3.6m at the end of Quarter 1 due to the payment of some large invoices. Debt over 365 days old totals £1.6m, this is being reviewed by officers. The recent restructure of the strategic finance team has resulted in an appointment to the Team Leader (transactions) post and recruitment to newly created posts in the transactions team will be completed in January 2024. The strengthening of the team, alongside the decision for credit control to be managed centrally by the finance team will improve the aged debt position of the Council.

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 expenditure forecasts to 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, have 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 the report.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

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Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1

Appendices	
A	2023/24 Revenue budget & forecast outturn
B	Significant variances
C	2023/24 Capital programme & forecast outturn
D	Quarter two Debtors position

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