

East Herts Council Report

Leadership Team Meeting

Date of meeting: Tuesday 12 March 2024

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

Report title: Financial Management 2023/24 - Q3 Forecast to year end

Ward(s) affected: (All Wards); 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 31st December 2023 is £220k
- The revised capital budget for 2023/24 is £28.335m, plus £2.954m is approved but not yet committed, as set out in Appendix C. The forecast outturn is £24.230m giving a variance of £4.105m

RECOMMENDATIONS FOR EXECUTIVE:

- a) The net revenue budget forecast overspend of £220k be noted;
- b) The capital programme forecast outturn variance of £4.105m be noted;
- c) The proposed capital budget carry forwards of £807k 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 3. 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	17,996	766
Total corporate budgets	1,173	1,025	(148)
Total reserves	(818)	(1,216)	(398)
Total Funding	(5,472)	(5,472)	-
Net revenue spend	12,113	12,333	220
Funded by Council Tax	(12,113)	(12,113)	-
Overspend/(underspend)	-	220	220

2.3 High inflation has impacted on the councils spending with contracts, 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 £220k forecast overspend.

2.4 The revised capital budget for 2023/24 is £28.335m plus £2.954m approved but not yet committed, as set out in **Appendix C**. The forecast outturn is £24.230 giving a variance of £4.105m. The main variances are in respect of pausing the Old River Lane & Arts centre project and rephasing of IT capital spend.

2.6 It is proposed to carry forwards budgets of £807k to 2024/25, these are in respect of projects that have been reprofiled to begin in 2024/25.

2.7 The outstanding debt as at Quarter 2 was £3.5m. 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 2 new finance assistants will be joining the team mid March 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

Contact Member

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