

East Herts Council Report

Executive

Date of meeting: Tuesday 3 September 2024

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

Report title: Financial Management 2024/25 - Q1 Forecast to year end

Ward(s) affected: (All Wards);

Summary

- The net revenue budget for 2024/25 is £12.652m as set out in Table 1, this is funded by Council Tax. The forecast year end outturn as at 30 June 2024 predicts an overspend of £1.1m.
- The revised capital budget for 2024/25 is £19.017m, plus another £4.16m has been approved but not yet committed, as set out in Appendix C. The forecast outturn is £18.967m giving a variance of £50k.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE

a) The reasons for the net revenue budget end of year projected overspend of £1.1m be considered;

b) The capital programme forecast outturn of £50k be considered.

1.0 Proposal(s)

1.1 Not Applicable

2.0 Background

2.1 The 2024/25 Medium Term Financial Plan (MTFP), revenue budget and capital programme were approved by Council on 28 February 2024. The 2024/25 net revenue budget is £12.652m, the

table below shows the budget alongside the 2024/25 forecast outturn as at Quarter 1. A further breakdown of the revenue budget and forecast outturn can be found in **Appendix A**

Table 1: Revenue Budget and End of Year Forecast Outturn	2024/25 Budget	2024/25 Forecast Outturn	Variance
	£'000	£'000	£'000
Net Cost of Services (NCS)	21,678	22,807	1,129
Total corporate budgets	3,424	3,436	12
Total reserve movements	(2,348)	(2,348)	-
Total funding	(10,102)	(10,109)	(7)
Net revenue spend	12,652	13,786	1,134
Funded by Council Tax	(12,652)	(12,652)	-
Overspend/Underspend	-	1,134	1,134

2.2 The Net Cost of Services (NCS) budget of £21.678m includes the saving proposals of £1.186m that were approved as part of the MTFP. The table below shows the breakdown of the NCS forecast overspend between base operational budget and savings target, further details and commentary on the forecast overspend can be found in **Appendix B**.

Table 2: Forecast Outturn on approved Savings	2024/25 Budget	2024/25 Forecast Outturn	Variance
	£'000	£'000	£'000
Base NCS	22,864	23,811	947
Savings proposals	(1,186)	(1,004)	182
Total 2024/25 NCS	21,678	22,807	1,129

2.3 Details of the specific savings and the progress made against these are shown in **Appendix C**.

2.4 The revised capital budget for 2024/25 is £19.017m, plus £4.16m has been approved by Council not yet committed, is set out in **Appendix D**. The forecast outturn is £18.967m giving a variance of £50k underspend.

2.5 The outstanding debt as at Quarter 1 was £2.9m. Debt over 365 days totals £1.8m. Following the restructure of the Strategic Finance service, the Transactions Team is now fully staffed and work has commenced on improving the aged debt position. Officers are currently in negotiations regarding a trial to pursue some of the older collectable debts and will have an update on the progress made at Quarter 2.

Appendix E provides the profile of the aged debt.

Mitigation of projected revenue overspend

2.6 It is best practice, followed by the council each year, to base the forecast outturn at quarter 1 on prudent income and expenditure projections which do not include overly optimistic assumptions, particularly regarding anticipated income. Quarter by quarter, projections will be refined, particularly as more accurate forecasts based on actual income can be included.

2.7 Within this context, officers have identified a series of ways in which the forecast overspend at this stage can be mitigated. These include:

- Work underway to appeal the business rate revaluations which have led to higher increases in business rates than the council had anticipated and budgeted for
- Continued vigilance on vacancy management including holding post vacant prior to recruitment without using agency staff and extending the assumed vacancy period in line with the difficulties we are experiencing in timely recruitment in the current jobs market.
- Refocusing of efficiencies that can be achieved through the Transformation programme now that large projects, which have absorbed senior officers' time, have concluded or will do so soon, such as the opening of BEAM, negotiation of the waste management contract, establishment of the UK Shared Prosperity Fund Programmes
- Accelerating work to review and uplift rents the council charges on its assets, such as shops and car parks leased to others

- Introducing a new advertising and sponsorship policy and seeking to maximise income through these sources
- Alleviating the council's responsibility for business rates at Charringtons House if it is disposed of before the end of 2024/25. Consideration has been given to demolishing the building, however the cost of doing this is too high.

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 forecasts to year end.

3.2 The Executive is required to consider the budget forecasts and ensure that action is taken in relation to any expenditure overspends 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 council's revenue and capital budgets. Officers are keeping the situation under review and will alert members in a timely way if interventions are required.

6.0 Implications/Consultations

6.1 The Finance team have consulted with Heads of Service, service managers and budget holders 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 the 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 and Governance Committee and the Executive with forecasts to year end.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Budget 2024/25 and Medium Term Financial Plan – 28 February
2024 Council meeting

7.2

Appendices	
A	2024/25 Revenue Budget & forecast outturn
B	Significant variances
C	2024/25 Savings
D	2024/25 capital programme and forecast outturn
E	Quarter 1 debtors position

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