

East Herts Council Report

Executive

Date of meeting: Tuesday 18 March 2025

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

Report title: Financial Management 2024/25 - Q3 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 31st December predicts an overspend of £955k.
- The revised capital budget for 2024/25 is £19.082m, plus another £4.16m has been approved but not yet committed, as set out in Appendix C. The forecast outturn is £9.083m giving a variance of £10.0m in year and proposals for £7.835 to be carried forward to 2025/26.

RECOMMENDATIONS FOR EXECUTIVE

a) The reasons for the net revenue budget end of year projected overspend of £955k be noted.

b) The capital programme forecast outturn of £9.083m, carry forward of £7.835m be noted.

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 3 a breakdown of the revenue budget and forecast outturn can be found in **Appendix B**.

The Quarter 2 forecast outturn has been included within this report as **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	23,687	2,009
Total corporate budgets	3,424	2,863	(561)
Total reserve movements	(2,348)	(2,834)	(486)
Total funding	(10,102)	(10,108)	(6)
Net revenue spend	12,652	13,607	955
Funded by Council Tax	(12,652)	(12,652)	-
Overspend/Underspend	-	955	955

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 C**.

Table 2: Forecast Outturn on approved Savings	2024/25 Budget	2024/25 Forecast Outturn	Variance
	£'000	£'000	£'000
Base NCS	22,864	24,215	1,351
Savings proposals	(1,186)	(528)	658
Total 2024/25 NCS	21,678	23,687	2,009

2.3 Corporate budgets

The proposed change in Accounting Policy to allow the capitalisation of interest during the build phase has meant that the total capitalisation of interest in year amounts to £340k.

Total interest is now expected to be £395k less than budget, and Investment interest received is also currently forecast to overperform to a total of £166k, it is proposed to move the £166k to reserves, to meet future potential losses on property funds.

2.4 Contributions to reserves

It is proposed that the £652k contribution to reserves is not achievable in year and this is utilised to offset the overspend. As per paragraph 2.3 it is proposed to transfer £166k of the over achievement of investment income to reserves.

2.5 Funding

The funding section has been updated with latest forecast government funding.

2.6 Capital Budget

The revised capital budget for 2024/25 is £19.082m, plus £4.16m has been approved by Council not yet committed, is set out in **Appendix D**. The forecast outturn is £9.083m giving a variance of £10m underspend. The underspends relate to:

- Reprofiling of the £270k capital budget for hostels to 2025/26
- The Reprofiling into 2025/26 of the reduced budget for Refuse & Recycling of £6.155m for Vehicles, £1.680 for containers. Vehicles are now expected to be £1.845m less than originally budgeted in 24/25 (£8m).
- Waste Vehicles and containers expenditure will now occur in Qtr. 1 of 2025/26 totalling £7.835m.
- There is no requirement for the community capital grant budget for 2024/25 resulting in a £50k underspend in capital any spend will be treated as Revenue and recorded through the CIES.

2.7 The outstanding debt as at Quarter 3, £3.09m, has reduced from the position at Quarter 2, £3.25m. Debt over 180 days totals £2.27m (Qtr. 2 £2.23m). Following the restructure of the Strategic Finance service, the Transactions Team is now fully staffed.

Work has accelerated on understanding and actioning reviews of the outstanding aged debt.

- Validating if the companies in debt are still in existence.
- Checking to see if companies have a payment plan in place have to recover old or existing debts.
- Identifying small value items that are not economic to recover.
- Identifying errors where invoices have been raised in error, leading to an overestimate of debt.
- Understanding where we are in the legal process for some of the more 'intricate' issues.
- Instructed and working with CPA (Credit Protection Association), to pass old debt on to try and communicate with customers to get them to engage with us to pay or discuss aged debt.
- Instituting more streamlined working between Finance colleagues and those in services to enable more timely chasing of outstanding debt.

The impact of the above is beginning to materialise. It will take a little time due to the number of debts and the complex nature of some specific cases.

Mitigation of projected revenue overspend.

2.8 The effects of updating the accounting policies to allow for the capitalisation of interest have been included in the Qtr. 3 forecasts.

2.9 The application of the minimum revenue provision (MRP) and the calculations are being reviewed. It is expected that this review may help to reduce the in-year overspend.

2.10 Quarter by quarter, projections will be updated and refined to include the most up to date information and projections of income and expenditure to the end of the financial year.

2.11 Officers have identified a series of ways in which the forecast overspend at this stage can be mitigated. These include:

- Work is underway to appeal the business rate revaluations which have led to higher increases in business rates than the council had anticipated and budgeted for
- Active vacancy management including holding posts vacant or delaying recruitment without using agency staff.
- 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.

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 the high 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

Appendices	
A	Q2 - 2024/25 Revenue Budget & forecast outturn
B	Q3 - 2024/25 Revenue Budget & forecast outturn
C	Significant variances
D	2024/25 capital programme and forecast outturn

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