

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 4 JUNE 2019
REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

REVENUE BUDGET OUTTURN REPORT FOR THE FINANCIAL YEAR 2018-19

1 Executive Summary

- 1.1 This report presents the revenue outturn position for the financial year 2018-19 and outlines the main variances from the original budget for both the General Fund (GF) and Housing Revenue Account (HRA).
- 1.2 There was a favourable variance on the General Fund net cost of services of £2.219m. Of this, around £1.060m relates to one off underspends (such as additional grant income) and £1.125m relating to efficiencies already factored into the 2019/20 baseline budget. After movements to earmarked reserves, the General Fund outturn position is a £0.100m drawdown from the General Fund working balance. (Refer to section 3 for details).
- 1.3 The closing balance on the Housing Revenue Account for 2018-19 is £2.60m; this is a drawdown of £3.98m from the opening balance of £6.58m (see section 4 for further detail).
- 1.4 Outstanding debts, total £1.100m, with rolling debtor days at 35.37 (refer to section 5).

2 Recommendation(s)

- 2.1 Cabinet are asked to note the outturn for the General Fund and the Housing Revenue Account as at 31 March 2019.
- 2.2 Cabinet are asked to approve movements on earmarked reserves as detailed in paragraph 3.12.
- 2.3 Cabinet are asked to note the position on debts set out in section 5 of this report.

3 General Fund

- 3.1 The difference between the Current Budget and the outturn is a net nil movement. The key variances (over £50k) against current budget are set out in paragraphs 3.3 to 3.12, and a summary of the General Fund position is shown in appendix A.
- 3.2 Resources: £1,348k favourable variance (see appendix B1);
 - 3.2.1 £847k favourable on Property Income – Following strategic purchases of property within the borough, rent reviews of existing commercial property and strong occupancy rates at the WelTech centre, income exceeded budget for the year. The 2019/20 budget included an increase of £860k for property income in relation to these areas.

Of this income, £206k related to income generated from the strategic purchase of Stonehills. As part of the due diligence to purchasing this property, a number of required repairs/improvements were identified, and it is recommended this income is placed into an earmarked reserve to fund any required works in 2019/20.

- 3.2.2 £365k favourable on Grant income – A number of new burden grants were passed to the Council from the Department for Works and Pensions (DWP) to support with legislative changes in Housing Benefit Administration and Universal Credit. The majority of the changes were absorbed within existing budgets, resulting in a net under spend within the service.
- 3.2.3 £95k favourable on IT support and telephone costs – Continual review and strong controls on software and hardware purchases, along with a saving on phone costs, has generated an underspend in these areas. A review of these budgets will be undertaken as part of the 2020/21 budget setting process.
- 3.2.4 £75k favourable on Insurance Premium Costs – The cost of premiums for the current year were lower than anticipated during the budget setting process. This saving has been used to offset any inflationary increases in premiums as part of the 2019/20 budget setting process.
- 3.2.5 £69k favourable on bank charges – After a successful tender exercise savings have been made with our credit/debit card provider. This efficiency will be factored into the 2020/21 budget setting process.
- 3.2.6 £98k adverse on Employees/Agency – There have been two restructures within Resources for which there are associated costs. These one-off costs have been funded from the Budget Priority and Transformation earmarked reserve. In addition to these costs, the team had difficulties recruiting in the early part of the financial year leading to an adverse variance on interim support.
- 3.3 Environment: £307k favourable variance (see appendix B2):
 - 3.3.1 £274k favourable on Domestic Refuse and Recycling – It was thought that the sale of mixed recycling income was going to be lower than budgeted in 2018/19 however this reduction did not occur and has resulted in a favourable variance. The Council also received additional subsidy from Hertfordshire County Council (HCC), following an updated calculation for the Alternative Financial Model.
 - 3.3.2 £135k adverse on contract payments – There is a direct correlation between the tonnage level of recyclable materials collected and the amount we have to pay to our various waste partners. As a result of the increased income achieved payments to our contractors have also increased.
 - 3.3.3 £75k underspend on parking employees – An additional one off budget was approved in 2018/19 for additional resources for controlled parking zones. There have been difficulties in recruiting to this post, although it was filled for part of the year. The balance of this budget will be put into the budget priorities and transformation reserve for draw down once the post is filled.

- 3.4 Policy and Culture: £44k favourable variance (see appendix B3);
- 3.4.1 £69k favourable – A number of smaller favourable variances have been generated within the service. These areas will be reviewed as part of the 2019/20 budget setting process.
- 3.5 Law and Administration: £70k favourable variance (see appendix B4);
- 3.5.1 £40k favourable Elections – The Council receives funding from the Electoral Commission to facilitate the various elections we administer. Funds that were received in prior years, in relation to expenditure previously incurred have been released following a review of balances held.
- 3.6 Planning: £62k adverse variance (see appendix B5);
- 3.6.1 £95k adverse on Development Management – There have been difficulties in recruiting to roles within the service, and the roles have needed to be covered by agency workers to ensure planning applications are processed and work continues on the Local Plan.
- 3.6.2 £80k favourable variance – Planning fees exceeded the income target for the year, due to a number of large planning applications.
- 3.7 Public Health and Protection: £66k favourable variance (see appendix B6);
- 3.7.1 £42k adverse Hackney Carriages – A change in accounting treatment has been made on the income generated for Hackney Carriages as the income is being spread over the three year term of the licence. This is a one year impact, and it is expected the budget is correct for 2019/20.
- 3.7.2 £35k favourable Various Environmental Health savings – There has been a reduction in the amount of project expenditure and subscriptions compared to budget. These areas will be reviewed for the 2020/21 budget setting process.
- 3.8 Community & Housing Strategy: £196k favourable variance (see appendix B7);
- 3.8.1 £259k favourable on Grant Funding - As part of the Homelessness Reduction Act the Council received grant funding to help meet the requirements of the new legislation. The grants have not yet been fully utilised. The balance is proposed to be moved to earmarked reserves as set out in paragraph 3.12.
- 3.8.2 £247k adverse Temporary Accommodation – The council is facing a rise in homelessness and consequently the pressure on the council's temporary accommodation has increased and led to higher reliance on bed and breakfast accommodation. This increased expenditure has not been built into the 2019/20 budget as plans are in place to reduce reliance on bed and breakfast accommodation, through the direct provision of more temporary accommodation.
- 3.8.3 £176k favourable Employee Expenditure – The main reason for the variances are that legislation changes were brought in later than anticipated meaning the additional resource wasn't required until later in the year. These additional resources will be required moving forward into 2019/20.
- 3.9 Corporate Management Team: £250k favourable variance (see appendix B8);

- 3.9.1 £295k favourable Corporate Projects Fund – The Corporate Projects budget has been utilised towards a number of projects across the Council to help generate long-term savings. This budget was temporarily increased for 2018/19 from the pooling gains. The remainder of unutilised funds have been added to the Budget priority and transformation reserve as set out in paragraph 3.12.
- 3.9.2 £62k adverse Employee expenditure– Net savings across the Corporate Management Team have been offset by the vacancy factor budget within the team.
- 3.10 Net recharge to the HRA: £89k favourable variance (see appendix A);
- 3.10.1 Support service costs are apportioned and recharged to the HRA. These are calculated on a percentage basis and any under or overspends made across support services have a direct impact the amount recharged.
- 3.11 Other operating income and expenditure: £289k favourable variance (see appendix A);
- 3.11.1 £313k favourable variance on Interest income - Greater interest & investment income was generated as our average balances during the second half of the year were larger than initially anticipated. Increases were also seen in interest rates received.
- 3.11.2 £164k favourable variance on grants income – A number of new burdens grants were received by the council. The majority of these new burdens were accommodated within existing budgets and resources.
- 3.11.3 £143k adverse variance – Due to a change in accounting regulations, the Council now needs to take a more prudent approach to the impairment of outstanding debt. This means that a charge has to be made to the general fund which is higher than the amounts that are actually likely to be unrecovered. This level of variance should not recur in future years, as the provision will now be broadly maintained at the level it has been increased to.
- 3.12 Contribution to earmarked reserves: There has been a net contribution to ring fenced reserves and the Strategic Initiatives reserve of £2.482m.

The table below shows those reserve movements recommended, in addition to those already approved as part of the budget setting process. An earmarked reserves statement is included in appendix E.

Earmarked Reserve	movements to / (from) £'000	Explanation
Budget Priority and Transformation	1,102	A new reserve was created last year to fund future projects including modernisation and digital transformation to help unlock long-term savings for the Council
Hackney Carriages	13	A deficit position was incorrectly held on this reserve. This contribution brings the reserve balance back to nil.
Business Rates Retention	614	Following the 2017 business rates revaluations, and further advise from Council advisors, the Council has needed to increase the provision for appeals. This has

Reserve		led to a deficit on the collection fund for the year, and this amount is required to be set aside to fund the deficit.
Campus West Reserve	58	A new reserve has been set up to fund improvement works to the Campus West website.
Building Repairs Reserve	206	As part of the due diligence to purchasing Stonehills, a number of required repairs/improvements were identified. It is recommended the income generated in 2018/19 is placed into this earmarked reserve to fund any required works in 2019/20.
Local Plan Reserve	(24)	This has been used to fund the additional resource need in Development Management in relation to work on the local plan.
Revenue Commitments Reserve	170	A number of projects have started, funded from the corporate projects fund. It is recommended that the balance of any funds set aside for these projects is contributed to a new reserve, to fund the completion of the projects in 2019/20.
Grants and Contributions Reserve	365	This reserve is for ringfenced grants and contributions that have been received but have not yet been utilised. These funds are released to match expenditure as it is incurred. The majority of the proposed movement related to Housing grants received during the year.
TOTAL	2,504	

4 Housing Revenue Account

- 4.1 The closing balance on the Housing Revenue Account for 2018-19 is £2.597m, this is a drawdown of £3.984m from the opening balance of £6.580m. This closing balance is the same that had been forecast and reported to Cabinet at Quarter 3.
- 4.2 There is an overall adverse variance of £683k to the Current Budget. Items with variances over £50k are detailed below:
- 4.2.1 £124k adverse variance on Tenants' charges for services and facilities – Less income has been received due to a number of factors, including: reduced demand for client lifeline alarms; less community facilities charges received due to decanting for redevelopment at Minster House and Burfield Close; a reduced number of rechargeable repairs; and less than budgeted income from children's activity programme and Freddie's Den at the Jim McDonald Centre.
- 4.2.2 £414k favourable variance on Repairs and maintenance – There has been lower expenditure on the Mears contract, mainly due to a lower volume of responsive repairs and remedial electrical works than anticipated. In addition there has been reduced expenditure on door entry systems as a result of more efficient working practices. There has been a lower demand on aids and adaptations.

- 4.2.3 £416k favourable variance on Supervision and management For 2018/19, a budget of £290k was set to fund the one off costs relating to the Housing Transformation programme, which saw the review of Housing Operations service/structure. These costs were incurred at the end of 2017/18 so the 2018/19 budget was not required.
- 4.2.4 £161k favourable on Special Services - Less expenditure was incurred on a number of areas including grounds maintenance and fly-tipping with Serco; intercom systems maintenance, electricity for landlords' lighting, neighbourhood improvements and equipment maintenance.
- 4.2.5 £78k favourable on Rents, rates, taxes and other charges – As outlined in the general fund section of the report (3.2.4), the insurance premiums were lower than anticipated for 2018/19.
- 4.2.6 £437 adverse variance on Impairment allowance for doubtful debts– Due to a change in accounting regulations, the Council now needs to take a more prudent approach to the impairment of outstanding debt. This means that a charge has to be made to the HRA which is higher than the amounts that are actually likely to be unrecovered. This level of variance should not recur in future years, as the provision will now be broadly maintained at the level it has been increased to.
- 4.2.7 £266k favourable variance on Depreciation – The depreciation charge was lower than expected. The budget was based on assumption of property values, additions and disposals. Depreciation is used to fund capital expenditure, and any variance on the depreciation charge means the Council will change the Revenue Contribution to Capital to offset the variance.
- 4.2.8 £54k favourable variance on HRA financing and investment income– More interest has been received received in proportion to higher cash balances and higher interest rates.
- 4.2.9 £1.979m adverse variance on Revenue Contribution to Capital) – Any difference between the in-year surplus and closing balance (calculated as 5% of income, as agreed in the Medium Term Financial Strategy) is contributed to financing capital spend, to minimise borrowing costs to the HRA.

5 Outstanding Debts on Debtors System

- 5.1 At the end of March 2019, debts outstanding totalled £1.100m. This is a reduction of £373k on the December position of £1.473m.
- 5.2 Performance is measured using a rolling debtor day ratio. The current target is 38 days and at the end of March 2019 the rolling debtor days totalled 35.37 days; this a strong improvement on the 40.17days reported for the same period last financial year.
- 5.3 The debtors system does not include debts for housing rents, council tax and business rates. Appendix C analyses the outstanding debt by age and across services.
- 5.4 Detailed information on outstanding debts is sent to Directors and Heads of Services for action where appropriate and discussed at the regular budget monitoring meetings with the service accountants. A pro-active approach is taken in managing debts by finance, legal and services.

Implications

6 Legal Implication(s)

6.1 There are no legal implications arising as a result of this report.

7 Financial Implication(s)

7.1 The financial implications are set out within this report.

8 Risk Management Implications

8.1 The risks related to this proposal are:

8.2 These are set out within the report.

9 Security & Terrorism Implication(s)

9.1 There are no security & terrorism implications arising as a result of this report.

10 Procurement Implication(s)

10.1 There are no procurement implications arising as a result of this report.

11 Climate Change Implication(s)

11.1 There are no climate change implications arising as a result of this report.

12 Link to Corporate Priorities

12.1 The subject of this report is linked to the Council's Corporate Priority "Engage with our communities and provide value for money", and specifically to the achievement of "Demonstrate Value for Money".

13 Equality and Diversity

13.1 An EqIA was not completed because this report does not propose changes to existing service-related policies or the development of new service-related policies.

14 Health and Wellbeing

14.1 There are no direct implications in relation to health and wellbeing arising from this report.

15 Communication and Engagement

15.1 There are no direct requirements for communication and engagement arising from this report.

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Background papers to be listed (if applicable)

N/A

Appendices to be listed

A	General Fund revenue budget overview by Director and Head of Service
B1-8	Variance analysis by Head of Service for direct and support services
<i>B1</i>	<i>Head of Resources</i>
<i>B2</i>	<i>Head of Environment</i>
<i>B3</i>	<i>Head of Policy & Culture</i>
<i>B4</i>	<i>Head of Law and Administration</i>
<i>B5</i>	<i>Head of Planning</i>
<i>B6</i>	<i>Head of Public Health & Protection</i>
<i>B7</i>	<i>Head of Housing & Community</i>
<i>B8</i>	<i>Corporate Management Team</i>
C	Age debt profile for debts outstanding at the end of March 2019
D	HRA budget overview and Reserves Summary
E	Earmarked Reserves Summary