

Part I

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All Wards

WELWYN HATFIELD BOROUGH COUNCIL

CABINET – 11 FEBRUARY 2020

REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND CULTURAL SERVICES)

REVENUE BUDGET MONITORING REPORT PERIOD 9 2019-20

1 Executive Summary

- 1.1 This report presents the forecast revenue outturn position as at 31 December 2019 (Month 9) for the financial year 2019-20 and outlines the main variances from the original budget for both the General Fund (GF) and Housing Revenue Account (HRA).
- 1.2 There is an adverse variance on the General Fund net cost of services of £1.051m. Of this, around £1.508m relates to one off expenditure (such as the triennial pensions valuation approved in January 2019) and £0.457m relating to efficiencies already factored into the 2020/21 baseline budget. After movements to earmarked reserves, the General Fund outturn position is a £0.145m drawdown from the General Fund working balance. (Refer to section 3 for details)
- 1.3 The forecast closing balance on the Housing Revenue Account is £2.638m, which is an adverse movement of £0.150m from the Current Budget (see Section 6 for further detail).
- 1.4 Outstanding debts as at 31 December, total £1.780m, with rolling debtor days at 40.76 (refer to section 6).

2 Recommendation(s)

- 2.1 The Cabinet note the revenue forecast outturn position as at Quarter 3.
- 2.2 That Cabinet approve the virements, detailed in section 3.6.
- 2.3 That Cabinet note the position on debts set out in sections 7 of this report.

3 General Fund Services

- 3.1 The difference between the Current Budget and the forecast outturn at period 9 is a net nil change on the General Fund working balances (appendix A) compared to the figure reported in the Quarter 2 report. Key changes since quarter 2 are set out in sections 3.2 to 3.4 below.
- 3.2 Collection fund deficit
 - 3.2.1 As part of the changes to Business Rate Retention introduced in 2013/14, the Council acts on behalf of our self, Hertfordshire County Council and central government, collecting non-domestic rates (NDR) from local businesses. Sharing both risks and rewards proportionately based on a legislative framework. This process is known as collection fund accounting.

3.2.2 Collection fund accounting revolves around making estimates of council tax and Business Rates income before the year starts, and distribution from the funds are based on these estimates. Any surplus or deficit on the fund at year end is distributed over the following two financial years.

3.2.3 Based on the latest information the repayment of deficit on the Business Rates collection fund will be £1.772m at year end. The balance being paid in 2020/21. Both of these payments will be funded from earmarked reserves which were set aside in 2018/19.

3.2.4 This will result in a reduction to the drawdown required from the Collection Fund earmarked reserve of the same amount.

3.3 Pension Fund Triennial Valuation

3.3.1 The Local Government Pension Scheme (LGPS) undergoes a financial valuation every 3 years. The triennial valuation is an assessment of the financial health of the pension fund and the results of which is used to determine the contributions that the Council will need to pay to the pension fund from 1 April 2020 – 31 March 2023.

3.3.2 It was recommended and agreed at Cabinet on 6th January that a lump sum payment of £1.848m would be made of which £1.201m relates to the General Fund. £1.047m of this will be met by a draw down from the Pension earmarked reserve and the rest will be met from the in-year savings made from the budget reset exercise.

3.4 Grant Funding

3.4.1 £42k favourable on Grant Funding - As part of the Homelessness Reduction Act the Council received additional grant funding to help meet the requirements of the new legislation. This grant is unlikely to be fully utilised in this financial year and it is proposed these funds will be moved to the existing Grants and Contributions Reserve, for use in future years to support delivery of homelessness provision in future years.

3.5 Virements (net nil movements) to be agreed:

3.5.1 As part of the Homelessness Reduction Act the Council has received £120k further grant funding which will be used to help meet the requirements of the new legislation.

3.5.2 The service intend on spending this grant on schemes such as Spend to Save which focuses on preventing homelessness by supporting those in financial difficulty; working with Drug Link to manage the Council's Housing First property in Hatfield which houses rough sleepers who have barriers to securing more permanent accommodation; and working with Resolve to run an outreach programme which responds to reports of rough sleepers.

3.5.3 In order to ensure budgets reflect this grant, and use of grant, the following virement is recommended for approval:

- Credit – Grant Income £120k
- Debit – Supplies and Services £120k

- 3.6 For information on other movements including minor variances and those previously reported and please refer to appendices B1-B8.

4 General Fund - Budget Monitoring Process and Risk Management

- 4.1 Appendix C highlights the budgets identified as more volatile than other budgets where the outturn can vary due to demand. Variances to the forecast outturn in these areas can contribute significantly to outturn variances which can be both adverse and favourable.
- 4.2 The detailed statements in the appendix provide information on the budget and spend to date to highlight any potential budgets that may need review. Some of the data is service specific, but some information are given at a corporate level including spending on external printing, car allowances, utilities and employee costs for the General Fund.
- 4.3 The appendix shows a net potential favourable variance of £253k. This has not been reported in the forecast at this time as there is a degree of uncertainty as to whether the variances will continue in the same way. These areas will continue to be monitored closely with the budget managers.

5 General Fund – Savings Monitoring

- 5.1 Appendix F shows the approved efficiency savings incorporated into the budget for 2019/20, and progress against these savings. This shows that the savings are on track for delivery with no variances to report.

6 Housing Revenue Account

- 6.1 The forecast closing balance on the Housing Revenue Account is £2.638m, which is an adverse movement of £0.150m from the Current Budget.
- 6.2 An itemised list of current budgets and forecast outturns for the HRA and minor budget variances are shown in Appendix E.
- 6.3 There is a forecast decrease of £0.177m to Revenue Contribution to Capital Outlay (RCCO). The HRA share of pension lump sum has led to this decreased contribution. The HRA is to maintain a minimum balance of 5% of total income, as agreed in the Medium Term Financial Strategy.

7 Outstanding Debts on Debtors System

- 7.1 At the end of December 2019, debts outstanding totalled £1.780m. This is an increase of £560k on the Q2 position of £1.220m
- 7.2 Performance is measured using a rolling debtor day ratio. The current target is 38 days and at the end of December 2019 the rolling debtor days totalled 40.76 days. This is an increase on the 40.38 days reported at the end of September 2019.
- 7.3 A significant proportion of the increase in outstanding debt at period end, related to a large debtor with another Local Authority. Payment for this debt was received on 3 January 2020, just after period end. Discussions have been held with this authority to improve processes and provision of information to ensure faster recovery of debt.

- 7.4 The debtors system does not include debts for housing rents, council tax and business rates. Appendix D analyses the outstanding debt by age across services.
- 7.5 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 Business Partners. A pro-active approach is taken in managing debts by finance, legal and services.

Implications

8 Legal Implication(s)

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

9 Financial Implication(s)

- 9.1 The financial implications are set out within this report.

10 Risk Management Implications

- 10.1 The risks related to this proposal are:
- 10.2 These are set out within the report.

11 Security & Terrorism Implication(s)

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

12 Procurement Implication(s)

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

13 Climate Change Implication(s)

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

14 Link to Corporate Priorities

- 14.1 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".

15 Equality and Diversity

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

16 Health and Wellbeing

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

17 **Communication and Engagement**

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

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Date 8 January 2020

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>Executive Board</i>
C	Risks and Opportunities
D	Age debt profile for debts outstanding at the end of December 2019
E	HRA budget overview and Reserves Summary
F	Savings Monitoring