

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 16 JUNE 2020
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT &
CULTURAL SERVICES)

REVENUE BUDGET OUTTURN REPORT FOR THE FINANCIAL YEAR 2019-20

1 Executive Summary

- 1.1 This report presents the revenue outturn position for the financial year 2019-20 and outlines the main variances from the current budget for both the General Fund (GF) and Housing Revenue Account (HRA). All budgeted savings were delivered in 2019/20.
- 1.2 There was a favourable variance on the General Fund net cost of services of £874k. Of this, around £94k relates to one off underspends (such as additional grant income) and £780k 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 closing balance on the Housing Revenue Account for 2019-20 is £2.62m; this is a contribution of £24k to the opening balance of £2.60m (see section 4 for further detail).
- 1.4 Outstanding debts, total £1.259m, with rolling debtor days at 39.96 (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 2020.
- 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 key variances (over £50k) against current budget are set out in paragraphs 3.2 to 3.12, and a summary of the General Fund position is shown in appendix A.
- 3.2 Resources: £321k favourable variance (see appendix B1);
 - 3.2.1 £276k favourable on Benefit Payments and recovery - 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. Some of these

identified funds will be added to an earmarked reserve and used to fund the transformation project in 2020/21.

- 3.2.2 £154k adverse on Employee costs – There were redundancy costs following a restructure and as these posts have been deleted, they will provide ongoing savings. They are one-off costs and have been partially offset by in year vacant posts.
 - 3.2.3 £108k favourable on Property Income – Increased rental income has been generated from fewer than budgeted vacant properties.
 - 3.2.4 £100k 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 under-spend in these areas. These savings will be put into earmarked reserve and used to infrastructure improvement projects planned for 2020/21.
- 3.3 Environment: £688k favourable variance (see appendix B2);
- 3.3.1 £263k net favourable on parking income – There has been increased income generated from parking against the original budget. In addition, at the end of September 2019 the parking management contract came to an end and bringing the contract in house has seen cost saving benefits.
 - 3.3.2 £216k favourable on Domestic Refuse and Recycling – It was thought that the sale of mixed recycling income was going to be lower than budgeted in 2019/20 however this reduction did not occur and has resulted in a favourable variance of £109k. There has also been an increase in the Garden Waste subscriptions resulting in an additional £107k income than budgeted which was identified in the budget setting process for 2020/21.
 - 3.3.3 £80k underspend on employees – There have been a number of vacant posts during the financial year with some posts covered by customer services moving into Environment with no increase in employee costs. A review is currently being undertaken as part of the modernisation agenda.
 - 3.3.4 £74k favourable on car park maintenance – Over the last two years there has been large capital investment in the Hunters Bridge and Campus West car parks. This has resulted in a short term reduction in the level of maintenance required.
- 3.4 Policy and Culture: £204k favourable variance (see appendix B3);
- 3.4.1 £75k favourable on payment to contractors (GLL) - At the end of the financial year an exercise is carried out to review the utility bills that we have paid on behalf of GLL to calculate if any money is owed to either party. Savings have been generated as a result.
 - 3.4.2 £129k favourable – A number of smaller favourable variances all individually less than £40k have been generated within the service. These areas will be reviewed as part of the 2020/21 budget monitoring process.

- 3.5 Law and Administration: £253k adverse variance (see appendix B4):
- 3.5.1 £158k adverse on Legal Services Team - Due to restructures and difficulties in recruiting, the team needed to rely more heavily on agency support in the year. The legal team has now restructured with 2 posts left to be recruited to.
- 3.5.2 £116k adverse Elections – The Council receives funding from the Electoral Commission to facilitate some of the elections we administer. For the Local Election held in May 2019 there were no other parties to share the cost of holding the Election. In addition to this there were unbudgeted costs arising from the late calling of the December 2019 General election.
- 3.6 Planning: £482k adverse variance (see appendix B5):
- 3.6.1 £334k 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 £267k adverse on Local Plan – additional inspector costs, legal advice and web casting have been incurred to ensure the Local Plan didn't fall behind. These costs have been identified as a potential issue and funds have been put into an earmarked reserve to fund future work in 2020/21.
- 3.6.3 £118k favourable variance on Planning Applications – The increase in employee expenditure has been partially offset by planning fees exceeding the income target for the year, due to a number of large planning applications to partially offset the increase in expenditure.
- 3.7 Public Health and Protection: £136k favourable variance (see appendix B6):
- 3.7.1 £85k underspend on employees – There have been vacancies across the whole department (Environmental Health, Licensing and Health and Safety). These will be filled going forwards with the new health and safety officer now in post and Licensing officer starting at the end of May. The recruitment process for new Environmental Health Officers will commence again when possible.
- 3.8 Community & Housing Strategy: £321k favourable variance (see appendix B7):
- 3.8.1 £429k favourable on Homelessness and Housing - As part of the Homelessness Reduction Act the Council received grant funding to help meet the requirements of the new legislation. The Temporary Accommodation overspend has been more than offset by these additional grants.
- 3.8.2 £120k 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. There has also been the need to decant a major temporary accommodation site for remedial works to be carried out.
- 3.9 Net recharge to the HRA: £846k favourable variance (see appendix A):
- 3.10 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. In addition to changes on controllable costs, non controllable costs are apportioned across

services and to the HRA including asset revaluations. Apportionment methods are also reviewed at year end to ensure the recharge fairly reflects service demands in the year.

3.11 Taxation and non-specific grant income and expenditure: £965k favourable variance (see appendix A);

3.11.1 In 2019/20 the Council was part of a new Hertfordshire wide pilot whereby 25% of any Business Rates growth would be paid over to Central Government rather than the 50% paid under the previous system. The council achieved higher business rates income than budgeted, resulting in the contributions to earmarked reserves are proposed in section 3.12 to smooth fluctuations in future years.

3.12 Other operating income and expenditure: £278k adverse variance (see appendix A);

3.12.1 £199k 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.

3.12.2 £410k increased contribution to capital – As reported in the quarter 2 revenue budget monitoring report 2019-20 a budget reset exercise was been undertaken following the peer review earlier in 2019. These identified revenue efficiencies have been contributed to capital to support the councils’ capital investment programme.

3.13 Contribution to earmarked reserves: There has been a net drawdown to ring fenced reserves and the Strategic Initiatives reserve of £787k.

3.14 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
Business Rates Retention Reserve	1,273	After drawing down the £2.720m put aside in 2018/19, £1.273m is being added to this earmarked reserve to manage volatility of the Business Rates Retention Scheme and Collection Fund Deficits
Pensions Reserve	154	Increase to ensure there’s enough funds to pay the agreed amount for the triennial valuation lump sum
Commitment Reserves	357	A number of projects have started, funded from the corporate projects fund and other funds. The balance of any funds set aside for these projects, will be earmarked to fund the completion of the projects in 2020/21.
Grants And Contributions Reserves	130	This reserve is for 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.

Other	492	These net movements are mainly to manage unpredictability as a result of the Covid 19 pandemic and future costs relating to the Local Plan as well as any potential changes required to council offices as part of the modernisation programme.
TOTAL	2,407	

4 Housing Revenue Account

- 4.1 The closing balance on the Housing Revenue Account for 2019-20 is £2.62m, this is a contribution of £24k to the opening balance of £2.60m. This is an adverse movement of £19k from the forecast closing balance reported to Cabinet at Quarter 3.
- 4.2 There is an overall adverse variance of £169k to the Current Budget. Items with variances over £50k are detailed below:
- 4.2.1 £77k adverse variance on Tenants' charges for services and facilities – Less income recovered from court costs in Neighbourhood Enforcement and service charges at hostels.
- 4.2.2 £205k favourable variance on Leaseholders' charges for services and facilities – Additional income recovered from leaseholders for major works, services, communal lighting and insurance premiums.
- 4.2.3 £745k favourable variance on Repairs and maintenance – There has been some reduction in demand-led responsive repairs, down to limited adverse weather and other factors. However, the main reason for this variance is due to a large reduction in the average cost of repair, which has been driven down through the close scrutiny of calls raised and the allocation of work, a change to the management of repairs process and ensuring jobs are capitalised where appropriate.
- 4.2.4 £717k adverse variance on Supervision and management - Increase in recharges from the General Fund and underspend on consultancy fees.
- 4.2.5 £212k adverse on Special Services – Additional spend on refurbishment, furnishings and utilities at Minster House and Inspira House.
- 4.2.6 £270k favourable variance on Impairment allowance for doubtful debts – the bad debt provision is set at 1% of rental income but in 19/20 less debts were written-off.
- 4.2.7 £489k 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 £199k favourable variance on Interest payable and similar charges – less interest was paid on HRA loans than budgeted through careful management of cash flows and rates available on new loans.

- 4.2.9 £82k favourable variance on Holiday pay – Movement in Accumulated Absence Reserve.
- 4.2.10 £177k favourable variance on HRA financing and investment income– More interest has been received in proportion to higher cash balances.
- 4.2.11 £1.618m adverse variance on Revenue Contribution to Capital – Any difference between the in-year surplus and closing balance (calculated as 5% of income) is contributed to financing the capital spend, to minimise borrowing costs to the HRA.

5 Outstanding Debts on Debtors System

- 5.1 At the end of March 2020, debts outstanding totalled £1.259m. This is a reduction of £521k on the December position of £1.780m.
- 5.2 Performance is measured using a rolling debtor day ratio. The current target is 38 days and at the end of March 2020 the rolling debtor days totalled 39.96 days; this an improvement on the 40.76days reported in December 2019.
- 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 2020
D	HRA budget overview and Reserves Summary
E	Earmarked Reserves Summary