

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 9 FEBRUARY 2021
REPORT OF THE CHIEF EXECUTIVE

QUARTER 3 REVENUE BUDGET MONITORING REPORT 2020-21

1 Executive Summary

- 1.1 This report presents the forecast revenue outturn position as at 31 December 2020 (quarter 3) for the financial year 2020-21 and outlines the main variances from the original budget for both the General Fund (GF) and Housing Revenue Account (HRA).
- 1.2 There is a forecast adverse variance on the General Fund net cost of services of £3.241m (see section 3 for further detail). This is partially offset by receipt of Covid-19 LA support grant £1.790m, Sales, Fees and Charges (SFC) losses compensation scheme £1.058m and additional drawdowns from earmarked reserves of £0.535m (see **appendix A2**). A summary showing the General Fund position is contained in **appendix A1**. Of the cost of service variances forecast:
- £3.971m relates to variances directly attributable to the impact of the COVID-19 pandemic.
 - (£0.730m) relates to other favourable variances.
- 1.3 These variances exclude any potential council tax or business rates losses, as these will lead to a collection fund deficit which would impact on future year's budget setting (see 3.3.4).
- 1.4 The forecast closing balance on the Housing Revenue Account is £2.601m, which is a favourable movement of £0.130m from the Current Budget (see Section 4 for further detail).
- 1.5 Outstanding debts as at 31 December, total £2.870m, with rolling debtor days at 50.68 (refer to section 5).

2 Recommendation(s)

- 2.1 The Cabinet note the revenue forecast outturn position as at Quarter 3.
- 2.2 The Cabinet note the position on debts set out in section 5 of this report.

3 General Fund Monitoring

3.1 General Fund Budgets

- 3.1.1 Since the original budget was set the drawdown from balances has increased by £1.527m. The following table tracks approved changes to the original budget during the year, which impact on reserves. A summary of General Fund reserves are shown in **appendix A2**.

Original Budget – Use of Reserves (General and Earmarked)	(£1.729m)
Modernisation Reserve – Revenues & Benefits Project	(£0.302m)
Pensions Reserve - Pension Triennial Payment	(£1.200m)
Youth Provision reserve – KGV Leisure	(£0.025m)
Current Budget – Use of Reserves (General and Earmarked)	(£3.256m)

3.1.2 A table showing a summary of virements between Heads of Service and changes to net cost of services is included in **appendix A3**.

3.2 General Fund Cost of Service Variances:

3.2.1 The table below summarises the year to date variances and forecast variances by Head of Service.

3.2.2 The year to date variances shown in the “Other” column represents the risks and opportunities within the monitoring report, where a year to date variance has been identified for which no year-end forecast has been made. (Each variance listed in appendices B1 to B8 are marked a, b or c for cross referencing to the table below).

Service	Year to Date				Forecast
	(a) Forecast provided £'000	(b) Profiling/ Grants £'000	(c) Other £'000	Total £'000	Total £'000
Resources	691	2,253	(122)	2,822	892
Environment	619	(231)	(28)	361	625
Policy & Culture	628	0	(13)	615	1,621
Law and Administration	(0)	0	(18)	(18)	1
Planning	341	0	13	354	141
Public Health and Protection	(187)	0	(18)	(205)	(128)
Community & Housing Strategy	(295)	(160)	(133)	(589)	75
Corporate Management Team	0	(58)	18	(40)	13
Total	1,797	1,804	(301)	3,300	3,241

3.2.3 Of the total forecast variance, £3.971m is directly related to the COVID-19 pandemic.

3.2.4 Explanation for all key year to date variances and forecast variances are included in the Head of Service breakdowns **appendices B1 to B8**. Key variances to highlight since the Q2 monitoring are summarised below:

	£'000
Quarter 2 net cost of services forecast variance	3,316
Resources – One off ICT requirements to facilitate remote working	86
Resources – Savings due to re-procurement of insurance policies	(112)
Policy and Culture - Decrease in Campus West net income (COVID-19)	(157)
Policy and Culture - Increase in financial support provided to leisure facilities and reduction in expenses (COVID-19)	147
Environment – Parking income loss forecasts increased (COVID-19)	99
Public Protection – Vacancies within Environmental Health and Licensing	(125)
Other smaller changes from Q2	(13)

Quarter 3 net cost of services forecast variance	3,241
---	--------------

3.3 Other General Fund Variances

- 3.3.1 In response to COVID-19, the Government has provided four tranches of funding to local authorities. The council has received £1.477m which will be used to support with the costs and lost income forecast. Further funding was announced of £0.313m, taking the total forecast to £1.790m. The council has also submitted a further claim under the SFC Losses compensation scheme amounting to £0.491m towards losses for the second four months of the financial year (Aug-Nov), which is expected to be paid in January, taking the total claims under this scheme to £1.058m.
- 3.3.2 The forecast includes a drawdown of £277k from the COVID-19 pandemic reserve which was set up in 2019/20 to support the council meet the demands of the pandemic in 2020/21.
- 3.3.3 The forecast also includes a drawdown of £130k from the COVID-19 Grants and Contributions reserve in relation to Homelessness grant income received previously by the council to support the delivery of homelessness function in 2020/21.
- 3.3.4 There are likely to be variances on interest income and borrowing interest, relating to changes in the Councils cashflow, arising from the COVID-19 pandemic. The cashflows are being closely monitored, and we anticipate a need to borrow before the end of the calendar year. However, it is increasingly difficult to predict the cashflow position for interest purposes.
- 3.3.5 The COVID-19 pandemic is expected to impact on collection rates, council tax support and business rates reliefs provided. These will all impact on the collection fund surplus or deficit, but due to regulations and accounting practice, any impact in the current financial year will be reversed out from the General Fund and will instead impact in future years. A recent announcement has suggested that Councils will be able to spread such deficits over a three year period, and we await further details.

4 Housing Revenue Account

- 4.1 The forecast closing balance on the Housing Revenue Account is £2.601m, which is a favourable movement of £0.130m from the Current Budget. Key forecast variances are shown in **Appendix C**.
- 4.2 There is a forecast decrease of £553k to Revenue Contribution to Capital. This has been adjusted due to the variances outlined above and to ensure the HRA maintains a minimum balance of 5% of total income, as set out in the Medium-Term Financial Strategy.
- 4.3 **Appendix C** gives a list of the current budgets and forecast outturns for the HRA.

5 Outstanding Debts on Debtors System

- 5.1 At the end of December 2020, debts outstanding totalled £2.870m. This is an increase of £130k on the September position of £2.740m.

- 5.2 Performance is measured using a rolling debtor day ratio. The current target is 38 days and at the end of Dec 2020 the rolling debtor days totalled 50.68 days. This is an increase on the 44.76 days reported at the end of September 2020.
- 5.3 The outstanding debts that range between 91-365 days old have increased from £581k at the end of quarter 2 in 2020/21 to £607k. The debt in this category includes £112k which is in dispute and a debt of £7k for which an instalment plan has been agreed.
- 5.4 One of largest areas of debtors relates to commercial property. For the majority of tenants which have not been able to pay, deferments and payments plans have been agreed and are being closely monitored. Additional legislation was brought in by the Government which prevented some usual recovery action being taken.
- 5.5 The debtors system does not include debts for housing rents, council tax and business rates. **Appendix D** analyses the outstanding debt by age and across services.
- 5.6 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 set out within the report where appropriate.

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.

Name of author *Yamini Krishnan*
Title *Senior Finance Business Partner*
Date 13 January 2021

Background papers to be listed (if applicable) N/A

Appendices to be listed

A1	General Fund Revenue Budget Summary
A2	General Fund Reserves Summary
A3	General Fund – Virement summary by 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	HRA budget overview and Reserves Summary
D	Age Debt for debts outstanding at the end of December 2020