

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 15 JUNE 2021
REPORT OF THE CHIEF EXECUTIVE

REVENUE OUTTURN REPORT 2020-21

1 Executive Summary

- 1.1 This report presents the revenue outturn position 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 was a favourable variance on the General Fund net cost of services of £0.300m (see **section 3** for further detail). A key change in the outturn to the previous forecasts, is the inclusion of pandemic grants which were not fully utilised in year and will be rolled forward for use in 2021/22 via earmarked reserves. A summary showing the General Fund position is contained in **appendix A1**. Of the cost of service variances:
- £3.472m relates to variances directly attributable to the impact of the COVID-19 pandemic.
 - (£3.393m) relates to ringfenced grant receipts associated with the pandemic, which are not fully utilised and need to be set aside in earmarked reserves for use in 2021/22.
 - (£0.378m) relates to other favourable variances.
- 1.3 The pandemic variances of £3.472 are offset by receipt of Covid-19 LA support grant £1.790m, Sales, Fees and Charges (SFC) losses compensation scheme £1.460m and a drawdown from the covid earmarked reserve of £0.222m (see **appendix A2**).
- 1.4 The closing balance on the Housing Revenue Account is £2.553m, which is a favourable movement of £0.081m from the Current Budget (see **section 4** for further detail).
- 1.5 Outstanding debts at 31 March 2021 total £1.960m, with rolling debtor days at 52.82 (refer to **section 5**).

2 Recommendation(s)

- 2.1 The Cabinet note the revenue outturn position for 2020/21.
- 2.2 That Cabinet approve the movements on earmarked reserves as detailed in section 3.4 of the report.
- 2.3 That delegated authority be given to the Section 151 Officer to adjust the 2021/22 budget for items of income and expenditure rolled forward through earmarked reserves.
- 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 planned 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.

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 variances shown below separate the pandemic related variances from general service variances.

Service	Outturn			
	Pandemic Variance £'000	Pandemic Grants £'000	Other Variances £'000	Total £'000
Resources	1,691	(3,113)	(656)	(2,077)
Environment	818	0	(346)	472
Policy & Culture	1,036	0	26	1,062
Law and Administration	(85)	0	47	(38)
Planning	0	0	413	413
Public Health and Protection	0	(281)	(102)	(383)
Community & Housing Strategy	12	0	(205)	(193)
Corporate Management Team	0	0	(7)	(7)
Total	3,472	(3,393)	(378)	(300)

- 3.2.3 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 Q3 monitoring are summarised below (rounded to nearest £10k):

	£'000
Quarter 3 net cost of services forecast variance	3,241
Employee costs – during the year the council sought to redeploy previous furloughed staff wherever possible to support services in covering vacant roles. This, along with difficulties in recruiting to some roles has increased employee based underspends.	(430)
Pandemic Grants – The unutilised grant receipts were excluded from previous forecasts on the basis any unspent balances on these would be moved to reserves. The balances shown will be moved to the earmarked grants reserve.	(3,390)
Resources – Due to government schemes and new burdens associated with homelessness during the pandemic, the unsubsidised cost of benefits has risen to higher than anticipated levels. An officer group is meeting to look at how these costs can be mitigated in future.	670

	£'000
Resources – The council is part of a Hertfordshire wide contract which provides a commission based service to increase income derived from business rates by identifying errors or missed listings in the ratings list, and challenging these on behalf of the council with the VOA. Commission is payable for ratings successfully challenged, and based upon a proportion of additional income that will be raised.	110
Resources – Summons fees – the outturn for summons fees was lower than previously forecast, due to ongoing court delays and lighter recovery action being taken. These have fully recommenced in 2021/22 and is not expected to be an ongoing variance.	120
Resources – The impairment for bad debt had been forecast previously in the cost of services against rental income. This is now shown the correct place for accounting purposes, outside of the net cost of services. Although this forms part of the quarter on quarter variance analysis, the cost of the impairment allowances is greater than previously forecast (actual charge is £596k, shown in appendix A1).	(450)
Policy and Culture – Following the successful application for grant funding and additional savings generated through utilities at closes venues, the net additional support provided to the council's leisure contractor was lower than previously forecast.	(120)
Policy and Culture – The final position on the cultural services budgets (community centres, campus west etc) was better than originally forecast, partly due to the extension of the job retention scheme. While better than forecast, this still represented a significant loss for the year at around £840k, a proportion of which is claimable under the sales, fees and charges protection scheme.	(380)
Planning – Spend on the advancing the Local Plan continues. Elements of spend on the plan are funded from reserves.	220
Other changes from Q3	(151)
Net cost of services forecast - outturn variance	(300)

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.
- 3.3.2 The council has also submitted a further claim under the SFC Losses compensation scheme. This takes the total claims under this scheme for the financial year to £1.460m. Key income losses recovered through this scheme included cultural services and parking.
- 3.3.3 The forecast includes a drawdown of £222k 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.
- 3.3.4 As highlighted in previous reports, it was expected that there would be variances on interest income and borrowing interest, relating to changes in the Councils cashflow, arising from the COVID-19 pandemic. Due to delays in capital spend, and increased cash balances from government funding, there has been a reduced need to borrow and increased investment income. The total favourable variance on these areas against budget was £577k).
- 3.3.5 The COVID-19 pandemic impacted 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. Councils will be required to spread such deficits over a three year period. Due to the protections offered and additional grant which had not previously been anticipated on the collection fund, the recommendation is that funds be set aside in the business rates retention reserve to fund the deficit balance.

- 3.3.6 During the year, a forecast of £450k was made on potential recovery losses associated with commercial rent. The formal calculation has been completed as part of year end processes, using the prescribed guidance. This includes all sundry debt and commercial rents, and the total increase in the bad debts provision if £596k. Should debts be recovered, the provision will be reversed out in future years.

3.4 Earmarked Reserves

- 3.4.1 A summary of General Fund reserves, including the proposed movements below, are shown in **appendix A2**.

- 3.4.2 The following reserve movements / adjustments to movements are recommended, based upon actual expenditure incurred or income received. These are shown in appendix A2 as “Proposed Movements (a)”:

3.4.3 **Strategic Initiatives Reserve**

A number of projects were to be funded from this budget during 2020/21, along with a strategic top up funded by the New Homes Bonus of £308k. Due to delays in project delivery, actual expenditure incurred is £198k lower, so it is recommended the movement be amended by £198k to ensure funds remain available in 2021/22 to complete these projects. It is recommended that delegation be given to the Section 151 Officer to adjust 2021/22 budget as required for the completion of these reserve funded projects.

3.4.4 **Business Rates Retention Reserve**

As outlined in 3.3.5, the recommendation for this reserve is that it is matched to the deficit that has arisen on the collection fund, associated with business rates collection. This top up is funded by the additional section 31 grants, and the additional protection grant which was not anticipated when previous estimates were completed on the collection fund. The councils share of the actual deficit on the business rates collection fund, at 31 March 2021 was £9.784m.

3.4.5 **Modernisation Reserve**

A number of projects were to be funded from this budget during 2020/21. Due to delays in project delivery, actual expenditure incurred is £258k lower, so it is recommended the movement be amended by £258k to ensure funds remain available in 2021/22 to complete these projects. It is recommended that delegation be given to the Section 151 Officer to adjust 2021/22 budget as required for the completion of these reserve funded projects.

3.4.6 **Grants and Contributions Reserve**

The council received a number of ringfenced grants associated with the pandemic, along with some other smaller service based grants, which have not yet been fully utilised. The largest of these being the balance on the Additional Restrictions Grant, which is likely to be utilised by June 2021. These grants will be set aside for use in 2021/22 and it is recommended that delegation be given to the Section 151 Officer to adjust 2021/22 budget as required for spending these grant receipts in line with government guidance.

3.4.7 Local Plan Reserve

The work on the local plan continues, and an additional £412k was spent to advance the plan during 2020/21. The reserve will be utilised to support this spend.

3.4.8 COVID-19 Pandemic Reserve

This reserve was set up in 2019/20 to support with the costs of the pandemic in 2020/21. Additional grants have been received from the government which means the required drawdown from this reserve to meet the net costs of the pandemic in year is £222k.

3.4.9 Climate Change Reserve

Approval has been given to fund works to install charging points and to provide grants to businesses from the reserve, totalling £65k. Actual expenditure has not yet been incurred so it is recommended the movement be amended by £65k to ensure funds remain available in 2021/22 to complete these projects. It is recommended that delegation be given to the Section 151 Officer to adjust 2021/22 budget as required for the completion of these reserve funded projects.

3.4.10 Youth Provision Reserve

A youth action fund was agreed in 2020/21, at a cost of £4k. The funding will be drawn down against these costs.

3.4.11 Other Reserves

A project to consider options around the zebra card and marketing for Campus West was undertaken in the year at a cost of £13k. It is recommended this is funded from the Campus West reserve which was set up with the profits from a previous pantomime production, for this purpose.

3.4.12 The following reserve movements / adjustments to movements are recommended, based upon the outturn position and available balances. These are funded from non-covid related variances. These are shown in appendix A2 as "Proposed Movements (b)":

3.4.13 Modernisation Reserve

The modernisation programme is continuing at pace, to review services and digitalise services to create longer term efficiencies. This programme is going well, and there are already some commitments from the reserve for 2021/22. It is recommended that £282k of additional funds are set aside to ensure that funds remain available to drive change. This will take the closing balance to £1.380m.

3.4.14 Local Plan Reserve

This reserve has been fully depleted in 2020/21, but work will be ongoing in 2021/22. For this reason it is recommended the reserve be topped up by £300k.

3.4.15 COVID-19 Pandemic Reserve

The pandemic continues to impact the council, and it is unclear what longer term impacts will be. It is recommended that the reserve be topped up by £242k, taking the closing balance to £425k. A further top up is planned in 2021/22 of £610k funded by government grant.

3.4.16 Other Reserves

It is recommended that the Civic Buildings Reserve be topped up by £200k. There is a report recommending use of the reserve in 2021/22 towards decarbonisation projects, and topping up the reserve will ensure funds remain available after approval of that report, for any significant unforeseen or emergency building repairs.

4 Housing Revenue Account

- 4.1 The closing balance on the Housing Revenue Account is £2.553m, which is a favourable movement of £0.81m from the Current Budget. Key variances are shown in **Appendix C**.
- 4.2 There is an increase of £1.871m to Revenue Contribution to Capital. This has been adjusted due to the variances outlined in appendix C and to ensure the HRA maintains a minimum balance of around 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 March 2021, debts outstanding totalled £1.960m. This is a reduction of £910k on the December 2020 position of £2.870m.
- 5.2 Performance is measured using a rolling debtor day ratio. The current target is 38 days and at the end of March 2021 the rolling debtor days totalled 52.82 days. This is an increase on the 50.68 days reported at the end of December 2020.
- 5.3 One of the 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.
- 5.4 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.
- 5.5 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 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.

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Appendices:

- 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**
 - B1 Head of Resources*
 - B2 Head of Environment*
 - B3 Head of Policy & Culture*
 - B4 Head of Law and Administration*
 - B5 Head of Planning*
 - B6 Head of Public Health & Protection*
 - B7 Head of Housing & Community*
 - B8 Corporate Management Team*
- C HRA budget overview and Reserves Summary**
- D Age Debt for debts outstanding at the end of December 2020**