

WELWYN HATFIELD BOROUGH COUNCIL  
CABINET – 1 FEBRUARY 2022  
REPORT OF THE CHIEF EXECUTIVE

**QUARTER 3 REVENUE BUDGET MONITORING REPORT 2021-22**

**1 Executive Summary**

- 1.1 This report presents the forecast revenue outturn position as at 31 December 2021 for the financial year 2021-22 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 £2.300m (see section 3 for further detail). A summary showing the General Fund position is contained in **Appendix A1**. Of the cost of service variances forecast:
- £2.619m relates to variances directly attributable to the impact of the COVID-19 pandemic.
  - (£0.319m) relates to other variances.
- 1.3 After additional earmarked reserve drawdowns of £2.273m (see **Appendix A2**) and other variances of £0.301m, this leaves a net drawdown from the General Fund Reserve of £0.617m.
- 1.4 The £0.617m drawdown from general reserves includes the net pandemic impact position, which is £1.223m (£2.619m of pandemic related service variances, partially offset by Sales, Fees and Charges (SFC) losses compensation scheme income of £0.301m and additional drawdowns from earmarked reserves of £1.035m).
- 1.5 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. An update to the funding of the current years budgeted deficit is set out in this report (see 3.3.2).
- 1.6 The forecast closing balance on the Housing Revenue Account is £2.626m, which is an adverse movement of £0.096m from the Current Budget (see Section 4 for further detail).
- 1.7 Outstanding debts as at 31 December total £1.835m, with rolling debtor days at 39.43 (refer to section 5).

**2 Recommendation(s)**

- 2.1 That Cabinet note the revenue forecast outturn position as at Quarter 3 (31 December 2021).
- 2.2 That 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 there are no additional approved drawdowns from general balances. A summary of General Fund reserves are shown in **Appendix A2**.

#### 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. 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)<br>Forecast<br>provided<br>£'000 | (b)<br>Profiling<br>/ Grants<br>£'000 | (c) Other<br>£'000 | Total<br>£'000 | Total<br>£'000 |
| Resources                      | 408                                  | 297                                   | 217                | 922            | 963            |
| Environment                    | 214                                  | (1,280)                               | (46)               | (1,112)        | 560            |
| Policy and Culture             | 414                                  | 0                                     | 132                | 546            | 1,241          |
| Law and Administration         | 126                                  | (88)                                  | 1                  | 39             | 19             |
| Planning                       | (94)                                 | 87                                    | (8)                | (15)           | (45)           |
| Public Health and Protection   | (60)                                 | 95                                    | (7)                | 28             | (131)          |
| Community and Housing Strategy | 0                                    | (376)                                 | (91)               | (467)          | (107)          |
| Corporate Management Team      | 0                                    | 0                                     | (131)              | (131)          | (125)          |
| <b>Total</b>                   | <b>1,009</b>                         | <b>(1,265)</b>                        | <b>67</b>          | <b>(190)</b>   | <b>2,375</b>   |

3.2.2 Explanations 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 Quarter 2 monitoring are summarised below:

|  | £'000        |
|--|--------------|
| <b>Quarter 2 net controllable income and expenditure forecast variance</b>                       | <b>2,686</b> |
| Pandemic related – costs of housing homeless linked to Inspira House not being available for use | <b>30</b>    |
| Waste and recycling income   | <b>(87)</b>  |
| Voluntary registration scheme costs  | <b>39</b>    |
| Net figure for parking costs and income  | <b>84</b>    |
| Pandemic related – Covid safe polling station and elections, to be funded from external grants   | <b>97</b>    |
| Covid related grants received, forecast to be transferred to reserves at year end                | <b>(196)</b> |
| Grant income received  | <b>(60)</b>  |
| Members audio visual kit   | <b>61</b>    |

|  |              |
|--|--------------|
| Stock condition surveys for Private Sector housing                               | (50)         |
| Staffing related variances   | (299)        |
| HCC contributions for Grounds Maintenance programme                              | (129)        |
| Increase in temporary accommodation costs  | 122          |
| Other smaller changes from Q2  | 77           |
| <b>Net controllable income and expenditure forecast variance as at end of Q3</b> | <b>2,375</b> |

3.2.3 **Appendix F** contains a savings tracker to measure agreed budgeted savings against forecasts. Most of the savings are currently anticipated to be delivered, but there are five key items to note:

- Long stay car parking (Red) – this additional income is unlikely to be achieved during 2021/22 due to the impact of the pandemic but will remain in the base budget position for future years.
- Reduction in GLL management fee (Amber) – it is anticipated there may be a need to provide additional support for leisure provision. It is not known at this stage whether the grant received from the government will be sufficient to cover the additional costs, which may impact on the ability to deliver the saving this year, but the saving will remain in the baseline budget.
- Procurement (Amber) – it is anticipated that £30k of the savings planned for 2021/22 will be delivered in 2022/23.
- Campus West fees and charges (Red) – this additional income is unlikely to be achieved during 2021/22 due to the impact of the pandemic but will remain in the base budget position for future years.
- Garage Income (Red) – this additional income was planned from increasing garage occupancy rates, but is unlikely to be achieved during 2021/22 due to the impact of the pandemic. It will remain in the base budget position for future years.

### 3.3 Other General Fund Variances

3.3.1 In response to COVID-19, the Government provided four tranches of funding to local authorities during 2020/21. The council agreed to add an additional £610k to an earmarked reserve during 2021/22 to be used to support ongoing COVID-19 related costs and lost income. The council has submitted a final claim under the SFC Losses compensation scheme for the period April – June 2021 for an estimated £301k towards income losses for the first quarter of the financial year.

3.3.2 The forecast includes a drawdown of £1.035m from the COVID-19 pandemic reserve which was set up in 2019/20 to support the council to meet the demands of the pandemic in 2020/21 and beyond. A drawdown of £348k from the Modernisation reserve is included for approved modernisation projects such as revenues and benefits transformation and software solutions.

3.3.3 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 the council borrowed £20m against the General Fund capital financing requirement in July. The loan was taken at a very low interest rate of 1.57%.

- 3.3.4 The COVID-19 pandemic is expected to continue to impact on collection rates, council tax support and business rates reliefs provided during 2021/22. 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.
- 3.3.5 The 2021/22 budget included a drawdown from general balances to support the collection fund deficit forecast of £670k. Due to the impact being slightly less than anticipated, and additional government grant being received to support these specific losses, as part of the closedown for 2020/21, enough funds were set aside in the Business Rates Retention Reserve to fund this deficit. The Quarter 3 monitoring includes the adjustment to drawdown from the earmarked reserve rather than general balances.

## **4 Housing Revenue Account**

### **4.1 Housing Revenue Account Balances**

- 4.1.1 Since the original budget was set there are no additional approved drawdowns from balances.

### **4.2 Virements**

- 4.2.1 There have been no officer approved virements between Head of Service areas since the approved budget, and no recommended virements for Cabinet to consider for the Housing Revenue Account.

### **4.3 Housing Revenue Account Variances:**

- 4.3.1 The forecast closing balance on the Housing Revenue Account is £2.626m, which is an adverse movement of £96k from the Current Budget. **Appendix C1** provides the HRA Income and Expenditure Statement with forecast variances. **Appendix C2** provides the same information, but in Head of Service format, along with forecast balances for the Housing Revenue Account.
- 4.3.2 Explanation for all key year to date variances and forecast variances are included in the Head of Service breakdowns **Appendices D1 to D4**.
- 4.3.3 The table below summarises the year to date variances and forecast variances by Head of Service/Corporate Director. 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 D1 to D4 are marked a, b or c for cross referencing to the table below).

| Service                           | Year to Date                         |                                       |                    |                | Forecast       |
|-----------------------------------|--------------------------------------|---------------------------------------|--------------------|----------------|----------------|
|                                   | (a)<br>Forecast<br>provided<br>£'000 | (b)<br>Profiling<br>/ Grants<br>£'000 | (c) Other<br>£'000 | Total<br>£'000 | Total<br>£'000 |
| Community and<br>Housing Strategy | 198                                  | 0                                     | 3                  | 201            | 280            |
| Housing Operations                | (314)                                | (305)                                 | (143)              | (762)          | (42)           |
| Property Services<br>(Housing)    | 1,453                                | 0                                     | 45                 | 1,498          | 3,582          |
| Corporate Director                | 45                                   | (1,849)                               | (98)               | (1,902)        | (645)          |
| <b>Total</b>                      | <b>1,382</b>                         | <b>(2,154)</b>                        | <b>(193)</b>       | <b>(965)</b>   | <b>3,174</b>   |

#### 4.4 Other Housing Revenue Account Variances

4.4.1 There is a forecasted decrease of £3.078m in the Revenue Contribution to Capital. This has been adjusted due to the service variances identified to ensure the HRA maintains a minimum balance of 5% of total income, as set out in in the Medium-Term Financial Strategy.

### 5 Outstanding Debts on Debtors System

5.1 At the end of December 2021, debts outstanding totalled £1.835m. This is a decrease of £0.444m on the September 2021 position of £2.279m.

5.2 Performance is measured using a rolling debtor day ratio. The current target is 50 days and at the end of December 2021 the rolling debtor days totalled 39.43 days. This is a decrease on the 45.03 days reported at the end of September 2021.

5.3 The outstanding debts that range between 91-365 days old have decreased from £507k as at the end of September to £457k at the end of December. The debt in this category includes £3k which is in dispute and two debts totalling £14k for which an instalment plan has been agreed.

5.4 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 payment plans have been agreed and are being closely monitored. Additional legislation was brought in by the Government during 2020/21 which prevented some usual recovery action being taken, and this has been extended for 2021/22.

5.5 There has been a marked improvement in the payment of commercial rental income since restrictions have lifted, as demonstrated by the general reduction in debtor days each month.

5.6 The debtors system does not include debts for housing rents, council tax and business rates. **Appendix E** analyses the outstanding debt by age and across services.

5.7 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 and Terrorism Implication(s)**

9.1 There are no security and 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 Human Resources Implications**

15.1 There are no direct human resources implications arising from this report.

### **16 Communication and Engagement**

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

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Date

6 January 2022

Appendices:

|             |  |
|-------------|--|
| <b>A1</b>   | <b>General Fund Revenue Budget Summary</b>                         |
| <b>A2</b>   | <b>General Fund Reserves Summary</b>                               |
| <b>A3</b>   | <b>General Fund – Virement summary by Head of Service</b>          |
| <b>B1-8</b> | <b>Variance analysis by Head of Service / CMT</b>                  |
| <i>B1</i>   | <i>Head of Resources</i>   |
| <i>B2</i>   | <i>Head of Environment</i>   |
| <i>B3</i>   | <i>Head of Policy &amp; 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 &amp; Protection</i>                      |
| <i>B7</i>   | <i>Head of Housing &amp; Community</i>                             |
| <i>B8</i>   | <i>Corporate Management Team</i>                                   |
| <b>C1</b>   | <b>HRA Budget Summary</b>  |
| <b>C2</b>   | <b>HRA Budget Summary by Head of Service and Reserves</b>          |
| <b>D1-4</b> | <b>Variance analysis by Head of Service / Corporate Director</b>   |
| <i>D1</i>   | <i>Head of Community and Housing Strategy</i>                      |
| <i>D2</i>   | <i>Head of Housing Operations</i>                                  |
| <i>D3</i>   | <i>Head of Property Services (Housing)</i>                         |
| <i>D4</i>   | <i>Corporate Director (Housing and Communities)</i>                |
| <b>E</b>    | <b>Aged Debt for debts outstanding at the end of December 2021</b> |
| <b>F</b>    | <b>Savings Tracker</b>   |