

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 6 SEPTEMBER 2016
REPORT OF THE DIRECTOR (FINANCE AND OPERATIONS)

REVENUE BUDGET OUTTURN REPORT AT 30 JUNE 2016 (MONTH 3)

1 Executive Summary

- 1.1 This report presents the revenue outturn for the first three months of the financial year 2016-17 and outlines the variances from the approved original budget for both the General Fund and Housing Revenue Account Services.
- 1.2 The forecasted contribution to General fund reserves is now £139,000 (refer to paragraph 3 for details). This is a favourable movement on the zero drawdown/contribution reported in the Original Budget.
- 1.3 At period 3 some current budget changes are proposed in the HRA but this is mainly for a budget transfer to the Trust as part of the new contract on the Aids and Adaptations let by the Trust. To compensate for this transfer, the trust fee has been increased by a similar amount. Therefore, there is a net nil effect on the balances. Included in the forecast changes are the increased balances from 2015/16, subject to audit, and savings expected from the Trust which in total contribute £4.6M to the balances.
- 1.4 At month three the position on growth and savings included in the General Fund budget for 2016/17 is, 6.1% of our growth and 21.2% of our savings have been achieved. (refer to section 6 and appendix C of the report)
- 1.5 At month three the outstanding debts, including rechargeable works, total £1.552M, with rolling debtor days at 36.26. (refer to paragraphs 7 and 8 for detail).

2 Recommendation(s)

- 2.1 The Cabinet are asked to agree the changes to the general fund forecasted outturn as at 30 June 2016 and agree that those changes listed at 3.4 to 3.11 be included in the current budget, which in turn will then be used as the basis of comparison to the forecasted outturn.
- 2.2 The Cabinet are asked to agree the HRA changes to the forecasted outturn as at 30 June 2016 and agree that those changes listed at 5.2 be included in the current budget, which in turn will then be used as the basis of comparison to the forecasted outturn.
- 2.3 All service managers to be informed that any significant changes to the forecasted outturn which cannot be met by a similar level of savings will need a report to Cabinet to request additional funds.

2.4 The Cabinet are asked to note the position on debts and rechargeable works set out in paragraphs 7 and 8 of this report.

3 General Fund Services

3.1 Since the original budget was set forecasted contribution to balances has increased by £139,000. (please refer to appendix A)

3.2 The current budget has been updated to reflect the £130,000 of growth recommended to Cabinet and approved on 5 April. Following a number of concerns raised within the community, a Member-led task force has been set up to investigate the options and develop an action plan to more effectively deal with the increase of incidences of fly-tipping across the Borough. (appendix B8)

3.3 The current budget has also been updated to reflect the £4,000 less income the Council will receive from the Housing Trust following a review of utilities and maintenance. (appendix B7)

3.4 The Council has previously received a Localised Council Tax Support Admin Subsidy Grant but during the budget setting process there were indications that this grant would cease. In March 2016 an apology was received from DCLG regarding the lateness of response from queries and that the grant would continue in 2016/17 with Welwyn Hatfield's share being £132,000. (appendix A)

3.5 Serco indexation has been updated to reflect the actual increase which has resulted in a net reduction in budget of £130,000. The inflation is based on a basket of goods and was budgeted at 2%; the actual inflation was lower than anticipated at 0.07%. (appendix B8)

3.6 The Hackney Carriages earmarked has been updated to reflect the £21,000 expected drawdown in 2016/17. This drawdown is not reflective of any potential in year price changes within the service. (appendix A)

3.7 As part of the changes to Business Rate Retention introduced in 2013/14, the Council now has to pay over a levy to Central Government equal to half its expected growth in Business Rate income. In 2015/16 we accrued to pay a levy of £201,000, this has now been finalised at £185,000 resulting in a favourable movement in 2016/17 of £16,000. (appendix A)

3.8 A reduction in the Housing Benefit Administration subsidy of £26,000 has been slightly offset by an increase in FERIS (Fraud and Error Reduction Incentive Scheme) of £14,000. These grants were not confirmed until after the 2016/17 budget was set. (appendix B6)

3.9 Weltech income is forecasted to exceed the original budget by £12,000. This is reflected in appendix D showing the current occupancy level of 95.7% compared to the budget of 87.5%. (appendix B6)

3.10 The council's bank charges have increased over recent years and it is expected that they will increase by £22,000 in 2016/17. Historically the Council has had one merchant but to properly analyse how much of the increase relates to the redevelopment of Campus West a second merchant is being set up which will also allow for contactless payment at the venue. In turn this will then identify how much of the increase relates to general price increases. (appendix B8)

- 3.11 The forecasted outturn also includes other net adverse adjustments of £3,000 (appendices A, B6, B7, B8 & B15)

4 General Fund - Budget Monitoring Process and Risk Management

- 4.1 Appendix D highlights the budgets identified as risk 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 budgets and spending to date to highlight any potential budgets that may need review. Some of the data is service specific, but some information is given at a corporate level including spending on, external printing, car allowances, utilities and employee costs for the General Fund.
- 4.3 There is uncertainty regarding whether the variances will continue for the rest of the year, and therefore at the moment these figures are not included as part of the forecast outturn. The summary in appendix D illustrates the variances split into one off, potentially ongoing and profiling related variances.
- 4.4 The appendix shows a net potential favourable variance to current forecast of £481k. 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 Ring Fenced Housing Accounts

- 5.1 At period 3 there are two proposed changes to the current budget, and one change to the forecast. Overall, the expected surplus by the end of the year has increased from £5M to £9.6M, due to the inclusion of the outturn HRA balance from 2015/16. This is only a draft figure at this stage until the final accounts audit is complete, and this should move to the current column in the next quarter's report. The net £4.6M change to the proposed current and forecast changes are explained below.
- 5.2 Proposed current budget changes:
- As part of the policy of placing new maintenance contracts under the trust, rather than the council, the Aids and Adaptations work has been let as a trust contract with effect from April 2016. This also includes the revenue element of this expenditure. The effect of this change is that the trust fee will be increased and the payment to contractor's budgets will be decreased, with no change to the overall budget.
 - Supporting people grant from Hertfordshire County Council will be reduced by 25% from the 4th quarter of 2016/17. The effect of this in the current year is approximately £6,000.
- 5.3 Forecast outturn changes:
- The only change to the forecast is the inclusion of the improved balance brought forward from 2015/16, amounting to £4.6M. Details of this change have been reported in the outturn reports for 2015/16, with the single biggest variance from last year relating to the timing of the affordable housing programme. These

reserves will still be needed to support that programme in this, and coming years, and the medium term position on the HRA should still be a controlled reduction of balances.

- At quarter 1, no adjustments for the trust fee are recommended. However, as the shape of the reorganisation of the trust and council is finalised, changes will need to be made to both the HRA and trust operating budgets. These will be reported in future quarters over the year.

5.4 Looking forward, two areas that will feature in future periods are the likely increase to the level of revenue contributions to capital, in relation to the affordable housing programme, and changes to the trust fee, relating to the ongoing restructure and management changes.

5.5 Appendix F details the provisional closing position for the HRA including an itemised list of changes that were made to the current budget.

6 Growth and Savings 2016/17

6.1 Appendix C provides a position statement in terms of implementing the growth and savings approved as part of the 2016/17 budget process.

6.2 After three months of the financial year we have spent 6.1% of the General Fund growth bids and realised 21.2% of the agreed savings. The main areas of growth that has not matched the profiled spend are the corporate items for projects, national insurance implications, triennial pension valuation and early retirement costs.

7 Outstanding Debts on Debtors System

7.1 The debtors system currently shows debts outstanding of £1,302,428. This is an increase on the March position of £1,110,914; mainly due to the cyclical nature of large quarterly rental invoices.

7.2 The debtors system does not include debts for housing rents, council tax and business rates.

7.3 Appendix E analyses the outstanding debt by age and across services.

7.4 The Authority currently has debts of £77,071 in the category over 365 days old. This is a reduction of £1,906 on the figure outstanding at the end of March.

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 service accountants. A pro-active approach is taken in managing debts by finance, legal and services.

7.6 The average cost of recovering debt is estimated as follows:

- a) Loss of interest – for every £100,000 debt outstanding for a full year, costs the council £500 in interest based upon the current base rate of 0.5%. It should be noted that the position on the total and age of debt moves continuously as proactive action is taken on recovery.
- b) Staffing costs – it is estimated that £22,000 per annum is spent on debt recovery action. This is based on elements of time spent by staff from

finance, legal and corporate property. This excludes fixed charges for accommodation and IT and other support service costs.

c) Legal Costs – these will vary year on year and depend upon the action taken.

7.7 Currently, performance is being measured in debtor days; the current debtor days target is 33. At the end of June 2016 the rolling debtor days totalled 36.26 days. The formula for calculating debtor days is based on the previous 12 months and although the target is not being met this is a reduction on the 37.89 days taken for the same period last financial year.

7.8 Within the debtors system there is a wide range of different income streams:

- Non Housing rents for leasehold garages, shops and ground rents. These accounts are raised quarterly, the total value raised over the last year being in excess of £2.4M.

- Weltech rents and service charges in excess of £386,000.

- Building Control fees invoices were raised for over £110,000.

- Environmental Services invoices raised in excess of £912,000.

- General Fund Garage accounts are raised in excess of £2.1M

- Campus West invoices were raised in excess of £116,000.

8 Rechargeable Works

8.1 Rechargeable accounts arise where the authority has provided a service and incurred a cost on behalf of a third party and the cost will be reimbursed to the Authority. Directors and Heads of Service are reminded that it is in the council's interest to ensure that rechargeable accounts are recovered efficiently and they are therefore asked to action these appropriately.

8.2 A debit of £216,000 was carried forward into this financial year, which has now increased to £249,000 at the end of June 2016.

Implications

9 Legal Implication(s)

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

10 Financial Implication(s)

10.1 The financial implications are set out within this report.

11 Risk Management Implications

11.1 The risks related to this proposal are:

11.2 These are set out within the report.

12 Security & Terrorism Implication(s)

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

13 Procurement Implication(s)

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

14 Climate Change Implication(s)

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

15 Link to Corporate Priorities

15.1 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".

16 Equality and Diversity

16.1 As this report is for information purposes only, a formal Equality Impact Assessment on its proposals has not been necessary.

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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
B1-15	Variance analysis by Head of Service for direct and support services
<i>B1</i>	<i>Governance Directorate – Support Service - fully recharged</i>
<i>B2</i>	<i>Head of Governance – Direct Service</i>
<i>B3</i>	<i>Head of Governance – Support Service – fully recharged</i>
<i>B4</i>	<i>Head of Public Health & Protection - Direct Services</i>
<i>B5</i>	<i>Finance & Operations Directorate – Support Service – fully recharged</i>
<i>B6</i>	<i>Head of Resources – Direct Service</i>
<i>B7</i>	<i>Head of Resources – Support Service – fully recharged</i>
<i>B8</i>	<i>Head of Environment – Direct Services</i>
<i>B9</i>	<i>Head of Environment – Support Service – fully recharged</i>
<i>B10</i>	<i>Strategy & Development Directorate – Support Service – fully recharged</i>
<i>B11</i>	<i>Head of Housing & Community – Direct Services</i>
<i>B12</i>	<i>Head of Planning – Direct Services</i>
<i>B13</i>	<i>Head of Policy & Culture – Direct Service</i>
<i>B14</i>	<i>Head of Policy & Culture – Support Services – fully recharged</i>
<i>B15</i>	<i>Chief Executive – Direct and Support Services</i>
C	Position statement on budget growth and savings for 2016/17
D	Activity and Risk Budgets
E	Age debt profile for debts outstanding at the end of June 2016
F	HRA budgetary position at the end of June 2016