

WELWYN HATFIELD BOROUGH COUNCIL  
CABINET COMMITTEE – 1<sup>ST</sup> NOVEMBER 2016  
REPORT OF THE HEAD OF RESOURCES

REVENUE BUDGET MONITORING REPORT AT 30<sup>TH</sup> SEPTEMBER 2016 (PERIOD 6)

**1 Executive Summary**

- 1.1 This report presents the revenue budget monitoring for the first six 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 There is a net adverse change in forecasted general fund activity of £346k (Refer to paragraph 3 for details) on the forecast outturn approved at period 3. Of this £67k is due to additional expenditure approved by full council separately increasing the current budget. The forecast net adverse movement on the revised current budget is the £279k of which £186k can be funded by reducing the net contribution to the strategic reserve, £20k can be funded from use of the Resources earmarked reserve, leaving a £73k adverse movement on the revised general fund balance. There remains a forecast net nil movement on general fund balances, consistent with the original budget.
- 1.3 The summary position for the HRA at Period 6 shows a favourable variance to the budget of £450k for the year. This is due to the bad debt provision being reduced by £450k as a result of a review of the level of arrears. This trend is expected to continue into the following financial year and the 2017/18 budget will be adjusted accordingly. The forecast for all other HRA budgets remains as budgeted.
- 1.4 At period six the position on growth & savings included in the General Fund budget for 2016/17 is, 41.6% of our growth and 39.4% of our savings has been delivered. (Refer to section 6 and appendix C of the report)
- 1.5 At period six the outstanding debts, including rechargeable works, total £1.708m, with rolling debtor days at 32.74. (Refer to paragraphs 7 & 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<sup>th</sup> September 2016 and agree that those changes listed at 3.5 to 3.15 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 is asked to agree the HRA forecast outturn as at 30<sup>th</sup> September 2016 and agree that the change listed at 5.2 be included in the current budget, which in turn will then be used as the basis of comparison to the forecast outturn.
- 2.3 The Cabinet are asked to note the position on debts and rechargeable works set out in paragraphs 7 & 8 of this report.

### **3 General Fund Services**

- 3.1 Since the current budget was set at period three forecasted contribution to balances has reduced by £346k. (Please refer to appendix A)
- 3.2 The current budget has been updated to reflect the £44k of growth for the Finesse contract which was recommended to Cabinet and approved on the 4<sup>th</sup> October. Concerns have been raised that in order to achieve the 2015/16 saving target Finesse Leisure needed to use prior year operating surpluses. Finesse has been reviewing options to deliver this saving in future years. However, as the ongoing savings proposed by Finesse would lead to unacceptable service reductions Cabinet agreed the amended management fee.
- 3.3 The current budget has been updated to reflect the £25k of growth recommended to Cabinet and approved on the 2<sup>nd</sup> March. The Council agreed that all payments and obligations due from the current lessee of the pavilion at Moneyhole Lane will be written off. There is now a management agreement with Panshanger football club to run the pavilion; with the Council paying the business rates and running costs of the building but receiving rental and private hire income from the football club. (appendix B13)
- 3.4 The current budget has also been updated to reflect the £2k of more income the Council will receive from the Housing Trust following a review of maintenance costs. (appendix B7)
- 3.5 When the Gosling Sports Trust was formed in 1981, the Council agreed to stand as guarantor for their pension liability. The partnership of Greenwich Leisure Limited (GLL) with Gosling Sports Trust has led to the cessation of the pension arrangement; meaning the council has a payment of £431k to make as full and final settlement of all pension liabilities. (appendix B6)
- 3.6 Savings on employee costs across the Environment Service total £34k (appendix B8 & B9), £25k in Housing & Community (appendix B11) and £13k in Public Health & Protection (appendix B14). These savings relate to posts that have been vacant for some or all of the financial year that have now been filled and therefore there is no variance to reflect in the 2017/18 budget.
- 3.7 Income generated from season tickets in car parks is performing well over the first half of the year with an extra £40k in income forecast by the end of the financial year. For the period April-September 2016 455 permits have been issued, this is an increase on the 393 issued during the same period last year. The amount of increased income generated by car parks has been slightly offset by a net increase in bank charges and cash collection of £11k. (appendix B8)
- 3.8 Over the first half of the year void levels at general fund garages are not as high as anticipated with an extra £35k generated. Income from garages now generates the council £2,149k. There is also an increase in rental income from the Council's commercial estate of £7k. (appendix B6 and D)
- 3.9 The amount of FERIS (Fraud and Error Reduction Incentive Scheme) grant received from central government has increased by £17k. This reflects how much we have received to date; however there may be further grants issued to the council over the remainder of the year. (appendix B6)
- 3.10 The costs of the dog warden is demand led and based on the amount of kennelling and veterinary costs required each year. Usage has not been as high

as first estimated resulting in a £10k reduction in the forecast spend. (appendix B8)

- 3.11 As part of the 2016/17 budget setting process £5k was requested for software costs to enable real time updates on waste services. This project has been reviewed and is now planned to take place in the next financial year so this growth is no longer required this year. There has been a further £3k in savings on other software maintenance costs in the Environment service area. (appendix B8 & B9)
- 3.12 An upgrade to the benefits system was required at a cost of £13k. This has been partially offset by an increased grant from central government of £9k. (appendices B6 & B7)
- 3.13 The forecasted outturn also includes other net adverse adjustments of £2k (appendices B4, B6 & B11)
- 3.14 It was originally budgeted in 2016/17 that £263k would be added to the Strategic reserve to fund one-off expenditure. In order to keep the General Fund balance at net nil the contribution to Strategic reserve has reduced by £187k to £76k. Any future net savings identified will be used to put the contribution back to its original level. (appendix A)
- 3.15 In 2014/15 funds of £77k for additional costs relating to the Campus East extension were placed in an earmarked reserve. £20k of this earmarked reserve is now being used to fund emergency lighting works at Campus East. (appendices A & B7)

#### **4 General Fund - Budget Monitoring Process and Risk Management**

- 4.1 Appendix D highlights the budgets identified as more volatile than other 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 £176k. 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 6 the estimated in year outturn for the HRA is a deficit of £3.9m. This is a reduction on the estimate at period 3 of £450k. This is due to a downward revision in the amount needed for the bad debts provision. All other services are expected to be on budget at the year end.

5.2 Proposed current budget change:

- Supporting people grant from Hertfordshire County Council will be reduced by 25% from the 4<sup>th</sup> quarter of 2016/17. The effect of this in the current year is approximately £6k.

5.3 Forecast outturn changes:

- At Period 6, no other adjustments to the trust fee are recommended. The third quarter of the financial year will be crucial in determining whether any variances crystallise and adjustments need to be made to the forecast. Period 6 variances of actual against profiled budget that are not forecast to adjust the outturn at this time include:-
- Income, which is higher than budgeted due to small surpluses in service charges, leasehold charges and fees.
- Special Services are underspent largely as a result of the profile of payments in a range of areas including third party contractors, phones, the intercom contract and utilities.
- Maintenance budgets, especially planned maintenance, look to be underspent at period 6. However, there is a great deal of committed expenditure which will bring these budgets back to the budgeted position.
- The reorganisation of the Council will necessitate adjustments to budgets over the coming months. In addition to structural changes, budgets will be reviewed to determine their place in the organisation. Management fees and overhead recharges will be subject to change as a result of both organisational changes and an in-depth review of where these costs should fall.

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 The contribution from the HRA balance towards the affordable housing programme is under review regularly and the forecast for this may change over the coming months.

5.6 Appendix F details the provisional forecast position for the HRA including an itemised list of changes that have been 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 six months of the financial year we have spent 41.6% of the General Fund growth bids and realised 39.4% of the agreed savings. It is expected that there will be movements on some remaining items later on the financial year.
- 6.3 The most significant growth bid is the corporate projects budget. A total of £167k of this budget has now been allocated for specific projects as shown in appendix B15. Of this a total of £95k has been spent to date

## **7 Outstanding Debts on Debtors System**

- 7.1 The debtors system currently shows debts outstanding of £1,455,906. This is an increase on the June position of £1,302,428; mainly due to the cyclical nature of large quarterly rental invoices. Invoices due in less than 30 days total £1.261m and represent 87% of the total debt outstanding.
- 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 council currently has debts of £77,987 in the category over 365 days old. This is an increase of £916 on the figure outstanding at the end of June.
- 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 September 2016 the rolling debtor days totalled 32.74 days. This is the first time performance has been better than target since March 2014.
- 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 £386k
  - Building Control fees invoices were raised for over £110k.

- Environmental Services invoices raised in excess of £912k
- General Fund Garage accounts are raised in excess of £2.1m
- Campus West invoices were raised in excess of £116k.

## **8 Rechargeable Works**

8.1 Rechargeable accounts arise where the council 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 £216k was carried forward into this financial year, which has now increased to £252k at the end of September 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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Date	5 <sup>th</sup> October 2016

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

Appendices to be listed

<b>A</b>	<b>General Fund revenue budget overview by Director and Head of Service</b>
<b>B1-15</b>	<b>Variance analysis by Head of Service for direct and support services</b>
<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 &amp; Protection - Direct Services</i>
<i>B5</i>	<i>Finance &amp; 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 &amp; Development Directorate – Support Service – fully recharged</i>
<i>B11</i>	<i>Head of Housing &amp; Community – Direct Services</i>
<i>B12</i>	<i>Head of Planning – Direct Services</i>
<i>B13</i>	<i>Head of Policy &amp; Culture –Direct Service</i>
<i>B14</i>	<i>Head of Policy &amp; Culture – Support Services – fully recharged</i>
<i>B15</i>	<i>Chief Executive – Direct and Support Services</i>
<b>C</b>	<b>Position statement on budget growth and savings for 2016/17</b>
<b>D</b>	<b>Activity and Risk Budgets</b>
<b>E</b>	<b>Age debt profile for debts outstanding at the end of September 2016</b>
<b>F</b>	<b>HRA budgetary position at the end of September 2016</b>