

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 7TH FEBRUARY 2017
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

REVENUE BUDGET MONITORING REPORT AT 31ST DECEMBER 2016 (PERIOD 9)

1 Executive Summary

- 1.1 This report presents the revenue budget monitoring for the first nine 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 summary position for the General Fund at period nine shows an adverse variance of £119k, when compared to the current budget. £130k of this is due to the current performance of Campus West with a further £60k due to urgent building works at the same site. There has also been a review of salaries charged to capital resulting in an increase in revenue costs of £63k. These adverse variances have been partially offset by a drawdown from Strategic/earmarked reserves and other increases income and reductions in expenditure across the council. (Refer to paragraph 3 for details).
- 1.3 The summary position for the HRA at period nine shows a favourable variance, when compared to the budget, of £776k for the year. This is an increase from the last quarter of £326k. £135k of this is due to an under spend in the maintenance contract and there has been increased income £191k from hostel rents, warden's fees and charges and investment income. In previous months the bad debt provision was reduced by £450k following a review of the level of arrears.
- 1.4 At period nine the position on growth & savings included in the General Fund budget for 2016/17 is, 72.2% of our growth and 56.4% of our savings has been delivered. (Refer to section 6 and appendix C of the report).
- 1.5 At time eight the outstanding debts, including rechargeable works, total £1.387m, with rolling debtor days at 36.16. (Refer to paragraphs 7 & 8 for detail).

2 Recommendation(s)

- 2.1 Cabinet agree the changes to the general fund forecasted outturn as at 31st December 2016 listed at 3.1 to 3.10 bringing the current budget to £16.009million, which will then be used as the basis of comparison to the forecasted outturn.
- 2.2 Cabinet agree to the changes to the Housing Revenue Account forecasted outturn as at 31st December 2016 listed at 5.1 to 5.5 for bringing the current budget (in year deficit) to £3.547million, which will be used as the basis of comparison to the forecasted outturn.
- 2.3 Cabinet note the position on debts and rechargeable works set out in paragraphs 7 & 8 of this report.

3 General Fund Services

3.1 Current Budgets are set at £15.733m; full year forecast outturn is projected in period nine to be £16.009m, an adverse variance of £277k (£381k variance to original budget of £15.351m). The £277k variance is broken down below.

3.2 Resources: £533k budget, £568k forecast, £35k adverse, predominately;

- £14k favourable- Weltech increased income projected due to lower void levels and occupancy rates of 97.42% higher than budgeted.
- £10k favourable - Use of provision, see Environment below for public liability payment.
- £63k adverse- Three members of Property/Estates team were to be charged to capital for works on Hatfield Town Centre, reduced to two upon review. Adverse revenue spend off-set by reduced capital spend.

See Appendix B1

3.3 Environment: £4,549k budget, £4,562k forecast, £13k adverse, predominately;

- £10k adverse- Excess payment on Hunters Bridge car park public liability claim, see Resources above for off-setting provision use.

See Appendix B2

3.4 Policy & Culture: £2,833k budget, £3,018k forecast, £185k adverse, predominately;

- £130k adverse- Discussions with both the Campus West Cabinet Panel and Executive Member are occurring, working to improve on the significant adverse variance of 2015/16. Improvements on 2015/16 outturn include;
 - Continuing changes to the staffing numbers, structure and hours have been ongoing to reduce employee costs, without service impact
 - Revised fees & charges for all main services implemented from 1st January 2017 following a recent Cabinet approval
 - Cinema income has improved by £131k, food and beverage income by £72k and soft play income by £2k.
 - Roller City income has fallen short term, however is expected to improve in future and advance bookings of parties provide assurance of this
 - High levels of equipment purchases following the 2014 refurbishment are not expected to recur this financial year.
 - The pantomime is expected to post a small loss even though it will sell in the region of £120k of tickets this year. Final figures to be confirmed.
 - The final four trading months in the financial year (December to March) are usually the strongest, favourable weather conditions permitting.
- £60k adverse- Urgent external building works at Campus West, subject to a separate report to Cabinet in January 2017. Facia brickwork is crumbling and falling debris is causing health & safety concerns. The area has been surrounded in scaffolding to make it as safe as possible short term.

See Appendix B3

3.5 Law & Administration: £1,305k budget, £1,314k forecast, £9k adverse, predominately;

- £8k adverse- new admin post created (pro-rata) for implementation of Individual Electoral Registration. This post together with an establishment post of £18k are

to be funded from grant monies held in an earmarked reserve, this funding finishes in 2018/19, at which point the general fund will fund.

See Appendix B5

3.6 Planning: £1,998k budget, £2,077k forecast, £79k adverse, predominately;

- £80k adverse- Tree Preservation Order works, funded from earmarked reserves total of £154k future planning projects, carried over from 2015/16.

See Appendix B6

3.7 Public Health & Prot.: £1,079k budget, £1,059k forecast, £20k favourable, predominately;

- £20k favourable- Due to increase Hackney Carriages fees agreed by a Special Council on 14th June 2016, increased income forecast. This is off-set by earmarked reserve, so no impact on general fund reserves.

See Appendix B7

3.8 Housing & Comm.: £1,664k budget, £1,640k forecast, £24k favourable, predominately;

- £23k favourable- Employee savings from vacant posts (part year, as now filled). No 2017/18 variance predicted.

See Appendix B9

3.9 The total insurance premium cost has resulted in a net budget saving of £5k. A separate detailed report regarding the insurance tender was discussed at Cabinet on 6th September. This affects several departments, see Appendices B1-11.

3.10 It was originally budgeted in 2016/17 that £263k would be added to the Strategic reserve to fund one-off expenditure and this was revised to £72k in the previous quarters. In order to reduce the impact on the general fund balance the contribution to Strategic reserve has reduced by £72k to nil. See appendix A

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 £203k. 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 nine the estimated in year outturn for the HRA is a deficit of £3.5m. This compares with the original budgeted deficit of £4.3m which would have left the HRA with a yearend balance of £5m. This balance is now forecast to increase by £776k by the year end.

5.2 Forecast outturn changes:

- Responsive maintenance costs in the Mears contract have fallen below budget and this has crystallised into a likely year end underspend of £135k. The major issue has been the difficulty in filling senior maintenance posts in the repairs function which has decreased the ability to spend to budget. This may also potentially decrease spend in the non contract responsive repairs. There is an active recruitment programme to fill these posts and interviews are going on at present.
- There have been continuing increases in income in three areas. Hostel rental and service charge income is forecast to increase by £60k over the year. Warden's fees and charges will improve by £43k and interest earned will be about £88k in excess of budget. These movements represent trends in previous months that are now certain to change the year end position.
- Earlier in the year the bad debt provision was reduced by £450k. This was a reversal of an increase that took place in the previous financial year. It was felt that welfare reforms were likely to put pressure on council tenants and lead to an increase in arrears. This has not proved to be the case and collection rates remain high, so the provision has been restored to its previous level.

5.3 There are no other proposed adjustments to the forecast at period nine although there is a range of issues detailed below that may affect the outturn.

- Legal fees in supervision and management are overspent due to some exceptional disrepair cases. The costs of winding up the Trust will include a range of legal, consultancy and professional fees. The estimate for these is around £95k.
- Special Services are underspent largely as a result of the profile of payments in a range of areas including third party contractors, utilities, phones and the intercom contract.
- There may be further underspends within the maintenance budgets.

All budgets holders have plans in place to spend their revised allocations. It is unlikely that this will happen in all areas. The legal fees and Trust reintegration cost pressures will absorb any further savings. Therefore, it is prudent not to further adjust the forecast.

5.4 There are two further issues to note. The reorganisation of the Council will necessitate a review of how overheads are allocated between services and how best to accommodate housing services within the Council. A process is in place to close the Trust ledger, bank account, payroll and budgets and amalgamate them into the Council.

The budgets for the next 3 years of the Affordable Housing Programme were reworked at the half yearly capital review. The expenditure plans include a schemes across grant funded projects, council new build and open market purchases. There are a range of options regarding funding that may well include external borrowing.

- 5.5 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

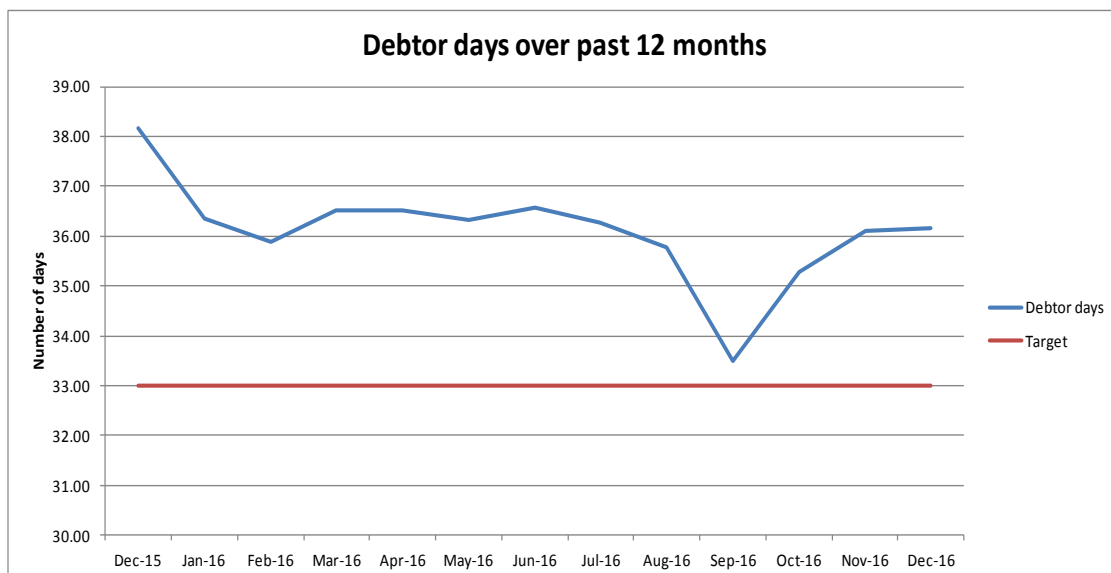
- 6.1 Appendix C provides a position statement in terms of implementing the growth and savings approved as part of the 2016/17 budget process.
- 6.2 After nine months of the financial year we have spent 72.2% of the General Fund growth bids and realised 56.4% of the agreed savings.
- 6.3 The most significant growth bid is the corporate projects budget. A total of £388k of this budget has now been allocated for specific projects as shown in appendix B11. Of this a total of £343k has been spent to date.
- 6.4 The £300k saving generated from the restructure is being met from salary under spends across the Council. Individual salary budgets have not been adjusted however the risks report identifies a current saving of £329k.

7 Outstanding Debts on Debtors System

- 7.1 The debtors system currently shows debts outstanding of £1,146,123. This is a reduction on the September position of £1,455,907; 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 £80,035 in the category over 365 days old. This is an increase of £2,048 on the figure outstanding at the end of September.
- 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 December 2016 the rolling debtor days totalled 36.16 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 38.16 days taken for the same period last financial year.



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 £216k was carried forward into this financial year, which has now increased to £241k at the end of December 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.

Name of author	<i>Daniel Williams Ext. 2389</i>
Title	<i>General Fund Business Partner</i>
Date	<i>4th January 2017</i>

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>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>Resources, Environment & Cultural Services Directorate</i>
<i>B5</i>	<i>Head of Law and Administration</i>
<i>B6</i>	<i>Head of Planning</i>
<i>B7</i>	<i>Head of Public Health & Protection</i>
<i>B8</i>	<i>Public Protection, Planning and Governance Directorate</i>
<i>B9</i>	<i>Head of Housing & Community</i>
<i>B10</i>	<i>Housing and Communities Directorate</i>
<i>B11</i>	<i>Chief Executive</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 December 2016
F	HRA budgetary position at the end of December 2016