

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 6 JUNE 2017
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES DIRECTOR)

REVENUE BUDGET OUTTURN REPORT FOR THE FINANCIAL YEAR 2016-17

1 Executive Summary

- 1.1 This report presents the revenue outturn for the financial year 2016-17 and outlines the main variances from the approved budget at period 9 (31st December 2016) for both the General Fund and Housing Revenue Account Services.
- 1.2 Overall the General Fund outturn position is favourable with £0.357m being added to reserves (Refer to section 3 for details).
- 1.3 The Housing Revenue Account deficit is lower at £3.16m compared to £3.55m forecasted at Period 9. The £383k favourable variances attributable to a mixture of favourable and adverse variances detailed in Section 5 below. The HRA balance at the end of the year stands at £10.74m compared to £10.35m reported in December.
- 1.4 The final position on growth & savings included in the General Fund budget for 2016/17 is, 90.7% of our growth and 99.5% of our savings have been achieved. (Refer to section 6 and appendix C of the report)
- 1.5 At the yearend outstanding debts, including rechargeable works, total £1.561m, with rolling debtor days at 36.41. (Refer to paragraphs 7 & 8 for detail).

2 Recommendation(s)

- 2.1 Cabinet are asked to note the outturn for the General Fund and the Housing Revenue Account as at 31 March 2017.
- 2.2 The Cabinet are asked to note the position on debts and rechargeable works set out in paragraphs 7 & 8 of this report.
- 2.3 Cabinet are asked to note movements on all reserves including ring-fenced & strategic reserves as highlighted in paragraph 3.13

3 General Fund Services

- 3.1 Current Budgets are set at £16.596m. A favourable variance of £804k against current budget is broken down below (£441k variance to original budget of £15.351m).
- 3.2 Resources: £1.914m current budget, £1.809m outturn, £105k favourable, predominately;

- £232k favourable - Estates - increased rental income. The estates management property portfolio of income has increased due to a combination of the purchase and rental of several Hatfield Town Centre properties, lower than expected vacant properties and the disposal of some freehold reversions to existing tenants during the final quarter of the year.
- £62k favourable - Cleaning and general maintenance. Across the Council's commercially let and own properties cleaning, general maintenance and refuse collection charges have reduced
- £43k favourable - Weltech - Increased rental income. The occupancy levels at Weltech have far exceeded the target with the building being fully occupied as at 31st March.
- £41k favourable - Apprenticeship levy not required. This levy was budgeted for in 2016/17 however legislation hasn't moved as quickly as anticipated meaning the first payment will not be due until 2017/18.
- £205k adverse - Benefit payments and increase in provision. As part of reviewing benefits overpayments it was considered prudent to increase the bad debt provision by £132k to recognise the uncertain nature of collecting benefit overpayments.
- £106k adverse – Early retirement costs. This expenditure relates to the redundancies made across the Council throughout the year.
- £74k adverse - Employee costs. Mainly due to the use of agency staff in Finance during the transition period of a restructure.
- £63k adverse - Finance - Net overspend on supplies & services. This relates to increased software costs, cash collection and consultancy fees.
- £31k adverse - Increase in bank charges. This adverse variance is in addition to the £22k adverse variance reported at period three. The Council now has a separate merchant for Campus West and can apportion bank charges there accordingly. This separation has not seen a reduction in charges across the rest of the Council.

For information on variances smaller than £30k see Appendix B1

3.3 Environment: £4.618m budget, £4.146m outturn, £472k favourable, predominately;

- £220k favourable - Domestic Refuse - additional subsidy from HCC. Reductions in the recycling waste subsidy from HCC (Hertfordshire County Council) did not materialise. There will be reductions in future years that will be built into the budget strategy.
- £138k favourable - Car parks - Income and season tickets. Parking income increased by £5k on last year's outturn but £138k against budget. The amount of income generated has increased however there has been a 6% reduction in the number of transactions processed.
- £72k favourable - Reduction in estimated fly tipping costs. Cabinet agreed a fly-tipping action plan at period three. The overall cost of this service has been less than anticipated which has been reflected in the 2017/18 budget.
- £36k favourable - Income from historic Section 106 project. Work has previously been completed and funded on a Section 106 project going back to 1996. This funding will not be called upon and has therefore been released to the general fund.
- £31k favourable - Net savings on payment to contractors. The majority of this saving relates to contract negotiations and lower payments due to lower tonnages collected from our recycling partners.

- £34k adverse - Reduced recycling income - falling prices/tonnage. There has been a reduction in the amount of income generated in both newspaper and bottle bank recycling.

For information on variances smaller than £30k see Appendix B2

3.4 Policy & Culture: £2.808m budget, £2.658m outturn, £150k favourable, predominately;

- £91k favourable - Finesse - management fee and utility savings. As part of the Council's risk management processes the utility budgets are continually assessed. At the end of the financial year an exercise is carried out to review the utility bills that we have paid on behalf of Finesse to calculate if any money is owed to either party. This exercise has resulted in a budgetary saving of £23k plus further utility savings across the council have been identified of £53k.
- £63k adverse – Campus West. This adverse variance is in addition to the £130k adverse variance reported at period nine. Although the overall budget has not been met income levels have increased and the subsidy to Campus West has reduced by £162k compared to last financial year.

For information on variances smaller than £30k see Appendix B3

3.5 Law & Administration: £1.267m budget, £1.005m forecast, £262k favourable, predominately;

- £88k favourable - Employee net savings. Due to the saving of a managers post in Human Resources as part of the Housing Trust restructure and vacant post within the legal team.
- £46k favourable - Land Charges - Employee costs (put into earmarked reserve). The remainder of the agreed £60k has been put into an earmarked reserve for 2017/18 as agreed by Cabinet in November.
- £33k favourable - Electoral Registration - Individual Electoral Registration Grant not used. The Council received a grant from the Electoral Commission to facilitate the implementation of Individual Electoral Registration.

For information on variances smaller than £30k see Appendix B5

3.6 Planning: £1.916m budget, £2.072m outturn, £156k adverse, predominately;

- £46k favourable - Planning Policy - Local Plan. Work is ongoing on the council's Local Plan. The complexities of the strategy and the public response during the consultation period has resulted in a re-profiling of the budget and an under spend of £46k in this year.
- £43k favourable - Development Management - Net savings on supplies & services. There has been a reduction in the amount of consultancy fees, software and subscription compared to budget.
- £113k adverse - Development Management - reduction in planning fees. This reduction in income is £267k lower than that achieved last financial year. Many of the planning fees are set by statute and there is the possibility that these will increase in the new financial year.
- £81k adverse - Net cost of Building Control. Building Control has been in transition during 2016/17 and it is forecast this variance will be offset by savings in future years.
- £48k adverse - Employee net costs. Net saving across the service have been offset by the vacancy factor within the team.

For information on variances smaller than £30k see Appendix B6

- 3.7 Housing & Comm.: £1.590m budget, £1.452m outturn, £138k favourable, predominately;
- £56k favourable - Homelessness/Advice - Management Fee savings. Savings within the Housing Trust/HRA have been passed onto the Council creating a reduction in the expected recharge.
For information on variances smaller than £30k see Appendix B9
- 3.8 Executive Director - Housing and Communities: £423k budget, £354k outturn, £69k favourable, predominately;
- £67k favourable- Employee savings. The saving relates to while the old Directors post of Strategy and Development was vacant.
For information on variances smaller than £30k see Appendix B10
- 3.9 Chief Executive: £119k budget, £376k outturn, £257k adverse, predominately;
- The adverse variance is mainly due to additional expenditure on Corporate projects.
For information on variances smaller than £30k see Appendix B11
- 3.10 Interest and Investment income: £328k budget, £385k outturn, £57k favourable. Greater interest & investment income was generated as our average balances during the second half of the year were larger than initially anticipated.
- 3.11 Revenue Contribution to Capital: £0k budget, £96k outturn, £96k adverse. This is being used to fund salaries of staff working on the Hatfield Town Centre project.
- 3.12 Taxation and non-specific grant income and expenditure: £15.994m budget, £16.825m outturn, £831k favourable. The favourable variance is mainly due to the council receiving a much higher than budgeted benefit from being part of the Hertfordshire NNDR pool. The pool is not continuing in 2017/18 and therefore the council will not benefit from this additional income in the next financial year.

3.13 Movements in ring fenced reserves and one-offs

- There has been a net contribution to ring fenced reserves and the Strategic Initiatives reserve of £0.676m.

	2016/17 In-year movements contribution to / (from) £'000	Notes
Resources earmarked reserves	23	A reserve has been created to fund a number of projects within the Resources department
Policy and Culture earmarked reserves	(1)	This has been used to fund the Healthfest
Performance Reward Grant	(1)	This has been used to fund elements of Local Strategic Partnership work
Law and Admin earmarked reserves	21	This will be used to fund future Individual Electoral Registration expenditure
Planning earmarked reserves	(148)	This is being used to fund planning projects
Growth Fund Determination Grant	(1)	This has been used to fund elements of planning policy work
Public Health and Protection earmarked reserves	18	This has been used to fund a number of public health projects.
Building Control	232	This reserve has now been closed
Hackney Carriages	(44)	This has been used to fund a trading loss
Pension fund triennial valuation	500	A new reserve has been created to fund future pension valuation payments
Funds for one-offs	(979)	For use on one-off specific general fund projects across the range of services
Transfer to Strategic reserve	1,056	To fund one-off growth projects in future years in line with the medium term financial strategy
TOTAL	676	

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 The appendix shows a net potential favourable variance of £456k. There is uncertainty regarding whether the variances will continue but these variances will be considered as part of the next budget setting process.

5 Ring Fenced Housing Accounts

- 5.1 The provisional outturn for the HRA is £383k better than the current budget that was last adjusted in the December reporting cycle. Income was marginally worse than the budget at about £240k, but overall expenditure was significantly lower than anticipated by £623k. This has left balances on the ring fenced account of £10.7m and the major variances are listed below.
- Rental income was slightly below budget by £271k and this was due to the mix of properties sold during the year as well as 2015/16 buybacks at half the level compared to budget set for 2016/17 which was therefore higher. However, this was compensated by increased income from hostel service charges of £17k.
 - In addition to this, there was an increase in de-minimis receipts of £17k and capital receipt for garage sale of £8k.
 - Leaseholder's service charges were lower by £154k, due to timing of invoicing for the roofing program which will occur in 2017/18
 - 2016/17 was an unusual year due to the operations of the Trust being brought back into the council in Quarter 4. As a result of this, income that would have been netted of within Trust management fee is now reported gross. The impact of this is £70k and relates mainly to JMC and Community Buses.
 - The single biggest factor for savings in expenditure was vacancies throughout the year. This has been estimated at total of £498k, split as follows Housing Management (£260k), Special Services (£81k) and Property Services (£157k). However, against this was the HRA share of one-off payment of £761k arising from the triannual valuation of the pension scheme. In repairs and maintenance, of the £630k saving, £257k was derived from underspends in Mears. The other major variance is underspend in gas servicing (TSG) at £140k. It appears that there will be current budget adjustment in 2017/18 to reflect the lower expenditure required. Savings due to vacancies was estimated at £157k out of the total of £498k mentioned in previous point. Other non-Mears budgets reported savings of a total of £76k.

- Apart from vacancy savings in Special services, there were savings on utility budgets of £39k and other smaller budgets in the Trust and later HRA totalling ££63k.
- There was also a £50k saving on Rents, Rates, Taxes and other Charges. This related to less excess payments than originally projected.
- The HRA was not required to contribute towards the Discretionary Housing Payments budget as the grant received was sufficient to cover the payments. A budget for £100k had been set aside for this.
- The original budget for the provision for bad debts at £800k was high in preparation for potential benefit changes and the roll out of universal credit. This was then reduced significantly during the year to £350k. In addition to write-offs of £48k, at year end, the bad debt provision calculation was recalculated, based on the age of debt and this resulted in a further provision of £81k. This provision relates to former tenant arrears and could be reversed if the council is successful in recovering the debt.
- Interest on HRA balances came out higher by £67k than anticipated due to building up of reserves from the sale of properties. There has also been an improvement in interest rates.
- Revenue Contribution to Capital budget for £3.7m in 2016/17 relates to the affordable housing programme and the variance is due to spending on Orchard mobile working program the electronic document management system which had been budgeted in previous years but they were not implemented until 2016/17. This has resulted in an overspend of £164k on this budget head.

5.2 Items that do not impact HRA balances:

- Many of the large variances on the account do not impact on HRA balances. These include the £2.3m variance on depreciation, which can only be confirmed when the stock valuation is completed at the year end. There is also a £24m variance on the Revaluation Loss/Gain and this relates to the final capital accounting entries on fixed assets. The underlying valuation was a gain of £76m, but this was reduced by prior year losses in the revaluation reserve. Loss/Gains on the Disposal of assets are also dependant on the gain from properties sold, combined with capital expenditure on new components on the remaining assets and the effect of de-recognition of the replaced components. The variance is high on this as the gain on the sale of properties is higher than the loss on de-recognising the components disposed. Due to the unknown mix of sales from right to buys this is difficult to predict, but is also reversed from the account and does not impact on balances.
- Due to the Trust staff being TUPED across to the council during the year, there have been pension adjustments made to the HRA. The net effect of these is Nil due to reversal via Statement of Movement.

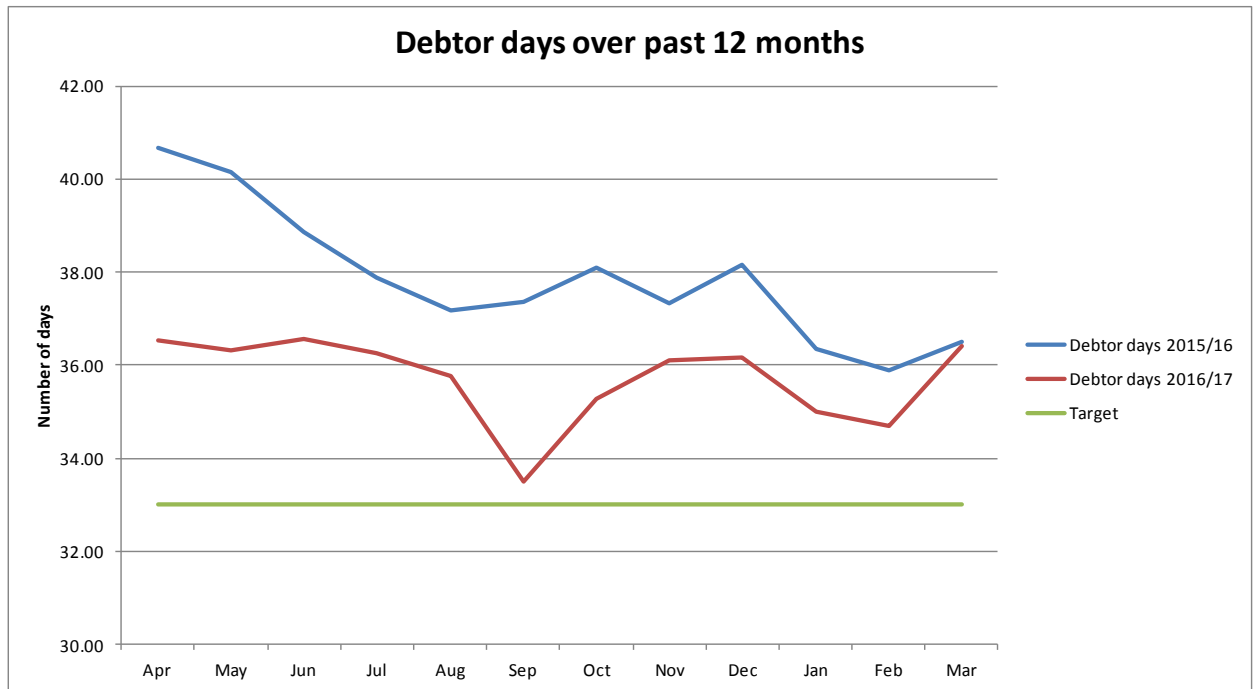
5.3 Appendix F details the provisional closing position for the HRA including an itemised list of changes that were made to the current budget.

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 Ongoing growth items agreed as part of the original budget totalled £703,460. Of this £620,290 was spent by the end of the financial year, this equates to 88.2%.
- 6.3 One-off growth items were originally budgeted at £755,000 by the end of the year £703,246 had been spent.
- 6.4 Budgeted efficiencies of £1.136m were included in the original budget. Of these £1.131m (or 99.5%) were achieved by the end of the financial year.

7 Outstanding Debts on Debtors System

- 7.1 The debtors system currently shows debts outstanding of £1,538,377. This is a increase on the December position of £1,146,123; 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 £102,230 in the category over 365 days old. This is an increase of £22,195 on the figure outstanding at the end of December.
- 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 March 2017 the rolling debtor days totalled 36.41 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 36.50 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 reduced to £23k at the end of March 2017.

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
B1-11	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 March 2017
F	HRA budgetary position at the end of March 2017