

WELWYN HATFIELD BOROUGH COUNCIL  
CABINET – 8TH AUGUST 2017  
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT &  
CULTURAL SERVICES)

REVENUE BUDGET QUARTER 1 MONITORING REPORT FOR THE FINANCIAL  
YEAR 2017-18

**1 Executive Summary**

- 1.1 This report presents the revenue outturn for the first three months of the financial year 2017-18 and outlines the main variances from the approved original budget for both the General Fund and Housing Revenue Account Services.
- 1.2 The forecasted drawdown from General Fund reserves outturn position is now £0.137m (Refer to paragraph 3 for details). This is a favourable movement on the £0.139m drawdown reported in the Original Budget.
- 1.3 At period 3 some current budget changes are proposed in the HRA to mainly reflect loss in income, increase in pension costs and rolled forward capital project funded from HRA. Included in the forecast changes are the increased balances from 2016/17, subject to audit. This in total contributes £0.3m to the balances.
- 1.4 At the yearend outstanding debts, including rechargeable works, total £1.561m, with rolling debtor days at 37.90. (Refer to paragraphs 6 & 7 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> June 2017 and agree that those changes listed at 3.2 to 3.5 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<sup>th</sup> June 2017 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 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 original budget was set forecasted contribution to balances has increased by £2k. (Please refer to appendix A)

3.2 Resources: £1.158m current budget, £1.176m forecast outturn, £18k adverse, predominately;

- An 11% reduction in the Housing Benefit administration grant was accounted for during the 2017/18 budget setting process however our grant has been cut by 16%. This has meant reduced income of a further of £18k on top of the £44k already agreed.

For information on other changes see Appendix B1

3.3 Environment: £4.333m current budget, £4.282m outturn, £51k favourable, predominately;

- Serco indexation has been updated to reflect the actual increase which has resulted in a net reduction in budget of £51k. The inflation is based on a basket of goods and was budgeted at 2.3%; the actual inflation was lower than anticipated at 0.11%.

For information on other changes see Appendix B2

3.4 Interest and Investment income: £273k current budget, £228k forecast outturn, £45k adverse. With the average balances expected to reduce and lower interest rates available the current target is not expected to be achieved.

3.5 Localised Council Tax Support Admin Subsidy Grant: £117k current budget, £132k forecast outturn, £15k favourable. The favourable variance is because a larger reduction in this grant was budgeted. However, DCLG has now confirmed our funding level and our reduction in grant is only minimal for 2017/18. There is still uncertainty over reductions in this grant which will be factored in as part of the 2018/19 budget setting process.

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

4.1 Appendix C 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 £271k. 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 four proposed changes to the current budget, and one change to the forecast. Overall, the expected deficit by the end of the year has increased from £4.7m to £5m. However, overall the balances have increased by £0.3m due to lower deficit than expected in 2016/17. This is only a draft figure at this stage until the final accounts audit is complete. This should move to the current column in the next quarter's report. The net £0.3m change to the proposed current and forecast changes are explained below.

5.2 Proposed current budget changes:

- Under charges for services, a few alarm monitoring contracts have been lost to other providers. These amounts to circa £50k. Over the coming months, every opportunity will be taken in obtain business from potential customers.
- Under supervision and management, an extra amount in the pension contributions of £82k is needed compared to the budget set. This is as a result of the triennial pension valuation.
- Software development budget of £37k was requested to be transferred from previous year due to delay in procurement and rollout of software by end of last financial year. This has been implemented in quarter 1 of 2017/18.
- Various maintenance budgets as listed in Appendix E are forecast to spend less by end of the financial year amounting to £85k. However, in view of the recent events these savings have been transferred to the fire remedial works budget head. This will be kept under review over the coming months.
- Two IT projects funded from HRA revenue contribution to capital (RCCO), were started in 2016/17 but not completed by end of the last financial year. These unspent budgets were rolled forward to 2017/18. As there was no RCCO budget set for this in 2017/18, £116k will be required for this.

5.3 Forecast outturn changes:

- The only change to the forecast is the inclusion of the improved balance brought forward from 2016/17, amounting to £0.6m. Details of this change have been reported in the outturn reports for 2016/17.

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

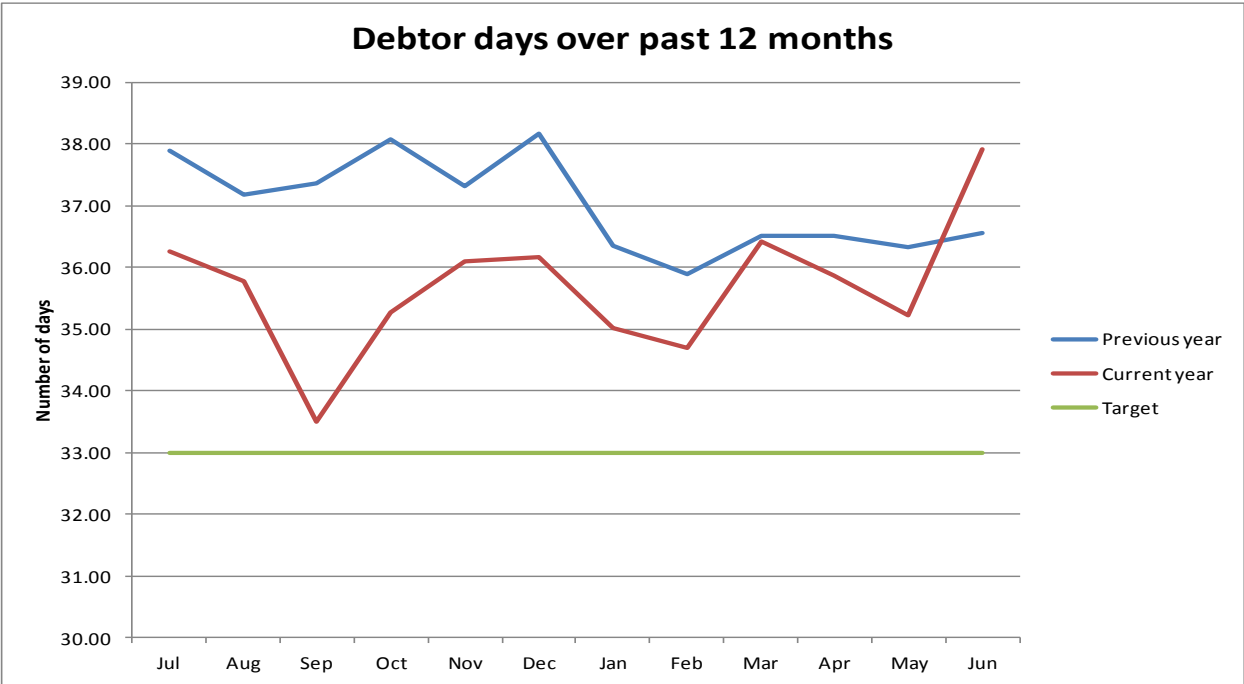
## **6 Outstanding Debts on Debtors System**

6.1 The debtors system currently shows debts outstanding of £1,299,599. This is a reduction on the March position of £1,538,377; mainly due to the cyclical nature of large quarterly rental invoices.

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

6.3 Appendix D analyses the outstanding debt by age and across services.

- 6.4 The Authority currently has debts of £117,603 in the category over 365 days old. This is an increase of £15,373 on the figure outstanding at the end of March.
- 6.5 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.
- 6.6 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.
- 6.7 Currently, performance is being measured in debtor days; the current debtor days target is 33. At the end of June 2017 the rolling debtor days totalled 37.90 days.



**7 Rechargeable Works**

7.1 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.

7.2 A debit of £23k was carried forward into this financial year, which has now increased to £71k at the end of June 2017.

### **Implications**

#### **8 Legal Implication(s)**

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

#### **9 Financial Implication(s)**

9.1 The financial implications are set out within this report.

#### **10 Risk Management Implications**

10.1 The risks related to this proposal are:

10.2 These are set out within the report.

#### **11 Security & Terrorism Implication(s)**

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

#### **12 Procurement Implication(s)**

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

#### **13 Climate Change Implication(s)**

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

#### **14 Link to Corporate Priorities**

14.1 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".

#### **15 Equality and Diversity**

15.1 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	12 <sup>th</sup> July 2017

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>B1-11</b>	<b>Variance analysis by Head of Service for direct and support services</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>Resources, Environment &amp; 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 &amp; Protection</i>
<i>B8</i>	<i>Public Protection, Planning and Governance Directorate</i>
<i>B9</i>	<i>Head of Housing &amp; Community</i>
<i>B10</i>	<i>Housing and Communities Directorate</i>
<i>B11</i>	<i>Chief Executive</i>
<b>C</b>	<b>Activity and Risk Budgets</b>
<b>D</b>	<b>Age debt profile for debts outstanding at the end of June 2017</b>
<b>E</b>	<b>HRA budgetary position at the end of June 2017</b>