

Part I
Item No:
Main Author: Daniel Williams: Extn 2389
Executive Member: Cllr Alan Franey
All wards

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 2ND FEBRUARY 2016
REPORT OF THE DIRECTOR (FINANCE & OPERATIONS)

REVENUE BUDGET MONITORING AT 31ST DECEMBER 2015 (MONTH 9)

1 Executive Summary

- 1.1 To present the budgetary control revenue report for the first nine months of the financial year 2015-16 and outline 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 (including Building Control and Resources earmarked reserves) is now £1.961m (Refer to paragraph 8 for details). This is a movement of £1.061m on the £900k contribution reported in the Forecast Outturn at month six.
- 1.3 At month nine on the Housing Revenue Account, there have been further improvements to the budget of £565k from a mix of budget heads across the account. After taking into account all the proposed changes for this year there is a net forecast improvement to balances of £2m, by the year end.
- 1.4 To provide information on the delivery of the growth & savings included in the General Fund 2015-16 budget. At month 9, 40.0% of our growth and 75.7% of our savings have been achieved. (Refer to paragraph 11 and appendix C of the report)
- 1.5 At month nine outstanding debts, including rechargeable works, total £988k and rolling debtor days stand at 36.35. (Refer to paragraphs 12 & 13 for detail).

2 Recommendations

- 2.1 The Cabinet are asked to agree the changes to the general fund forecasted outturn as at 31st December 2015 and agree that those changes listed at 8.2 and 8.6 be included in the current budget, which in turn will then be used as the basis of comparison to the forecasted outturn.
- 2.2 Cabinet are asked to note the forecast improved position, from period 6, on the Housing Revenue Account of £565k, giving forecast balances of £9,894k, and to include 289k of this forecast as a current budget for the remainder of the financial year. This will then form the basis of comparison for the last quarter of the year.
- 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 12 & 13 of this report.

3 Financial Implication(s)

3.1 The financial implications are set out within this report.

4 Link to Corporate Priorities

4.1 I confirm that the subject of this report is linked to the Council's corporate priority "Engage with our communities and provide value for money".

5 Legal Implication(s)

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

6 Climate Change Implication(s)

6.1 None

7 Risk Management Implications

7.1 These are set out within the report

8 Key Financial Information

8.1 Since the current budget was set at period six forecasted contribution to balances has increased by £1,061k. (Please refer to appendix A)

8.2 Increased net income (net £284k)

8.2.1 The ability of the Local Authority to remain within budget is extremely dependent on its income generation through the fees and charges it has set for the services it provides. Estates income increased by £150k as rent reviews were agreed with tenants, freehold reversions sold and the letting of new and previously vacant units. (appendix B6 & B8)

8.2.2 Investment income has increased by £75k due to continued higher balances and a property fund investment which will potentially yield a 4.75% interest rate. (appendix A)

8.2.3 Hertfordshire County Council (HCC) can make disposal savings when waste collection authorities (WHBC) reduce refuse going to landfill. In previous years it was anticipated that the savings to be passed onto WHBC would reduce. This has not happened to the extent that was first predicted resulting in an increase in income of £42k. (appendix B8)

8.2.4 Development Management income has been increased by £45k due to an increase in both pre applications and full planning applications. Partially offsetting this, the Building Control reserve has been affected by a £25k reduction in fee income. It is now forecast that the Building Control ring fenced account will make a trading loss in the current year. (appendix B12)

8.2.5 An increase in the budgeted amount of Land Charges income has meant an increase in the income forecast of £18k to £100k for the year. This is more in line with the level of income generated in the previous financial year. (appendix B2)

8.2.6 A further £48k in additional parking income has been forecast on top of the £107k increase in parking income stated in the period three monitoring report. This is mainly reflective of the increased usage of the Campus West car park since the redevelopment in autumn 2014. (appendix B8)

8.2.7 Part of these savings will be used to offset a further fall in the price per tonne the Council receives for newspaper recycling which has meant a reduction in income of £69k. (appendix B8)

8.3 Business Rates (net £174k)

8.3.1 A review of the retained Business Rates has resulted in an increase in income of £174k shown in "Start-up Funding Assessment". As in period three this adjustment will be put into an earmarked reserve in order to smooth any future volatility as a result of the new Business Rates Retention scheme. (appendix A)

8.4 Employee Expenditure savings (net £134k)

8.4.1 Savings on employee costs across Resources total £43k (appendix B6 & B7), £40k in Policy and Culture (appendix B14), Law and Administration total £38k (appendix B3), Environment £16k (appendix B8), Housing & Community £10k (appendix B11) and Planning £10k (appendix B12). These savings were partially offset by £14k enforcement training required in the Environment team (appendix B8) and an £8k reduction in the amount of employee time that has been charged to capital (appendix B12).

8.5 Third Party Payments (net £107k)

8.5.1 Environmental Services generated a net saving of £95k on contractor payments. A one-off fly tip removal and an increase in payments to East Herts Council who manage our off-street parking were accounted for as part of the Serco indexation savings in period three. This expenditure has not been as severe as first estimated resulting in a saving of £55k on street cleaning and £30k in Civil Parking Enforcement. There was also a reduction in the budgeted dog warden costs of £10k. (appendix B8)

8.5.2 As part of the 2015-16 base budget an element of contingency work carried out by the council's internal auditors (SIAS) was removed (see GOV_LA_1516_EFF3 appendix C). A further reduced level of contingency has been forecast resulting in an additional saving of £13k. (appendix B3)

8.6 Other (net £12k)

8.6.1 The forecasted outturn also includes other adjustments of £12k (appendices B6, B8, B12, & B14)

9 General Fund - Budget Monitoring Process and Risk Management

9.1 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.

9.2 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.

- 9.3 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.
- 9.4 The appendix shows a net potential favourable variance to current forecast of £563k. 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.

10 Ring Fenced Housing Accounts

- 10.1 As part of the calculation of the 2016/17 budget the forecast outturn for the current year has been reviewed for all budget heads. The last report to Cabinet, for September, estimated that the forecast outturn changes would result in an overall increase in balances of £1.4m. This was comprised of higher balances brought forward from 2014/15, of £2,369k, and £962k of current year net adverse changes, giving a closing balance on the HRA of £9,329k. At Period 9, the forecast closing balance has gone up to £9,894k and it is made of a number of items listed below.
- 10.2 The changes to forecast put forward as current budget changes at this time are:
- A reduction in dwelling rent of £175k. This to a combination of right to buy sales and the timing of the purchase of replacement properties. There are more buybacks scheduled for the 4th quarter of 2015/16, but they will have lower impact on total rental income for the current year.
 - Income from rechargeable repairs has been adjusted downwards by £13k in line with income to date.
 - On repairs and maintenance, there is an increased forecast saving of £127k compared to the current budget. The Council's contribution to the cost of drainage works at Brickwall cottages has been confirmed at £60k, giving a £70k saving compared to expected costs. Further savings are expected on the smaller maintenance contract budgets both in the Trust and HRA that amount to £57k.
 - A further downward revision of the bad debts provision, amounting to £300k, is proposed in light of the current roll out of benefit reforms and the expected impact on the Council's tenants in the current year.
 - Insurance costs are likely to be a further £50k lower than anticipated, making a total of £100k saving compared to the original budget for this year.

10.3 The changes to the forecast outturn to be noted are:

- Under supervision and management a budget provision of £500k had been made for costs associated with the move from the Bridge Road East offices. This was a contingency amount that is likely not to be needed in full. However, until the final hand back of the building to the freeholders is complete, it will not be possible to finalise a figure for this budget head, but a reduction in the forecast outturn of £250k has been anticipated at this time.
- Also under supervision and management, £25k relating to professional fees has been reduced in the forecast outturn based on spend to date.
- The special services forecast has been changed following a review of the budget position of the Trust. A saving of £195k had been projected at period 6, but this has been reduced slightly, by 44k, for this period, in line with activity in the accounts. However, this has been offset by a forecast saving of £45k that has been included on the aids and adaptations budget.

10.4 Other areas to note that have not resulted in a forecast change are:

- There is a concern regarding actual bills received to date for electricity under a new contract that commenced in October 2014. The bills appear to be sent on estimated rather than actual readings and are therefore higher than anticipated. This has been queried by the energy monitoring officer, but an outcome to the problem is still awaited.
- At period 3 the revenue contribution to capital was increased by £1.9m to give a total of £5m. It is now likely that the purchases in the Affordable Housing Programme will not all happen by the end of the financial year and that some element will roll forward. However, the budget will need to be spent in order for the Council to meet its obligations under the Right to Buy receipts retention agreement with the government.

10.5 Appendix F details the current financial position of the HRA including an itemised list of changes to the current budget and the further savings and increased balances included in the forecast.

10.6 The forecast closing HRA balance still shows an overall improvement of £2m at £9.9m compared to the original budget of £7.9m. This is made up of £2.4m higher balances brought forward from 2014/15 and other net additional spend of £0.4m.

11 Growth and Savings 2015/16

11.1 Appendix C provides a position statement in terms of implementing the growth and savings approved as part of the 2015/16 budget process.

11.2 After nine months of the financial year we have spent 40.0% of the General Fund growth bids and realised 75.7% of the agreed savings. The main area of growth that has not matched the profiled spend is the Corporate Projects one-off growth bid. The majority of this budget is earmarked as committed across numerous projects; however, the expenditure will follow later in the year or could fall into the following financial year as the projects are long term. As such, the period nine

forecast reflects estimated spend in 2015/16 of £350k with further committed expenditure rolling into 2016/17. The 2016/17 budget has thus reflected in the base, an equivalent amount to reflect this expenditure rolling into the following year.

12 Outstanding Debts on Debtors System

- 12.1 The debtors system currently shows debts outstanding of £754,774. This is a reduction on the September position of £1,307,595; mainly due to the cyclical nature of large quarterly rental invoices.
- 12.2 The debtors system does not include debts for housing rents, council tax and business rates.
- 12.3 Appendix E analyses the outstanding debt by age and across services.
- 12.4 The Authority currently has debts of £65,312 in the category over 365 days old. This is a reduction of £7,063 on the figure outstanding at the end of September.
- 12.5 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.
- 12.6 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.
- 12.7 Currently, performance is being measured in debtor days; the current debtor days target is 33. At the end of December 2015 the rolling debtor days totalled 36.35 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 40.68 days taken for the same period last financial year.
- 12.8 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 £2.2m.
 - Weltech rents and service charges in excess of £382k
 - Building Control fees invoices were raised for over £113k.

- Environmental Services invoices raised in excess of £1.24m
- General Fund Garage accounts are raised in excess of £2.1m
- Campus West invoices were raised in excess of £102k.

13 Rechargeable Works

- 13.1 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.
- 13.2 A balance of £120k was carried forward into this financial year, which has now increased to £234k at the end of December 2015.

14 Equalities

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

Director (Finance & Operations)

Daniel Williams ext 2389

Date: 06/01/2016

Background papers to be listed (if applicable)

Appendices for Budgetary control report

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 2015/16
D	Activity and Risk Budgets
E	Age debt profile for debts outstanding at the end of December 2015
F	HRA budgetary position at the end of December 2015