

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

REVENUE BUDGET QUARTER 2 MONITORING REPORT FOR THE FINANCIAL
YEAR 2017-18

1 Executive Summary

- 1.1 This report presents the revenue outturn for the first six 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 forecast contribution to the General Fund working balance is now £0.272m (refer to section 3 for details). This is a favourable movement on the £0.137m drawdown reported at quarter 1, and gives a forecast closing balance of £8.598m.
- 1.3 The forecast for the Housing Revenue Account (HRA) at quarter 2, shows a reduction in the working balance of £182k from quarter 1 mainly due to lowering of dwelling rent forecast based on rental performance halfway through the financial year (refer to section 5 for details). This gives a forecast closing balance of £5.540m. Proposed current budget changes are detailed in section 5.
- 1.4 At the yearend outstanding debts, including rechargeable works, total £1.430m, with rolling debtor days at 43.86. (Refer to sections 6 and 7 for details).

2 Recommendation(s)

- 2.1 The Cabinet approve the changes to the general fund forecast outturn as at 30 September 2017 and agree that the changes listed in paragraphs 3.2 to 3.7 be included in the current budget, which in turn will be used as the basis of comparison to the forecasted outturn in future periods.
- 2.2 The Cabinet approve the HRA forecast outturn as at 30 September 2017 and agree that the changes listed in paragraph 5.2 be included in the current budget, which in turn will be used as the basis of comparison to the forecast outturn in future periods.
- 2.3 The Cabinet are asked to note the position on debts and rechargeable works set out in sections 6 and 7 of this report.

3 General Fund Services

3.1 Since the General Fund net revenue drawdown from reserves was approved at Special Council on 23 February 2017 Cabinet have approved net budget changes as detailed below:

| 2017/18 General Fund Current Budget changes | Current Budget £ |
|--|-----------------------------|
| Original Budget - drawdown from GF reserves | 139,000 |
| Approved Changes - Cabinet 8th August | (1,992) |
| TOTAL Net approved Current Budget | 137,008 |

3.2 The difference between the Current Budget and the forecast at quarter 2, is an increase to the working balances of £409k. Key variances against current budget are set out in paragraphs 3.4 to 3.7, and a summary of the General Fund position is shown in appendix A.

3.3 The total insurance premium cost has resulted in a net budget saving of £22k. A separate detailed report regarding the insurance tender was discussed at Cabinet on 5th September. (appendix B1-11)

3.4 Resources: £289k favourable variance (see appendix B1);

- £148k favourable variance on the estates management property portfolio. Income has increased mainly due to the rental of several Hatfield Town Centre properties, along with an increase in the sale of freehold reversions to existing tenants.
- £106k favourable variance following a further review on staff charging their time to capital projects. There are now four members of the Corporate Property team charging their time on Hatfield Town Centre regeneration capital projects. These costs are accommodated within the capital budget and will not increase the Councils borrowing requirement.
- £40k favourable variance from garage rent income. Void rates have not increased by the level originally forecast. This is in addition to the £121k saving agreed as part of the 2017/18 budget setting process for increasing rents by 5%.
- £13k favourable variance on business support. In 2015/16 Cabinet agreed a budget and an approach to support private business in those properties the council acquired from St Modwen in Hatfield Town Centre who were subject to significant rent increases. The level of requests has been lower than anticipated, with spend of £7k against a budget of £20k.

3.5 Policy and Culture: £85k favourable variance (see appendix B3);

- £14k favourable variance on the telephony system. A decision was made not to renew the license for the Netcall telephony system, resulting in savings against the budget for software maintenance.

- £12k favourable variance arising from lease income. In March 2016 Cabinet made the decision to grant a management agreement to Panshanger Football club for occupation and use of the Moneyhole Lane Pavilion. It is forecasted that the agreement will result in the Council receiving an additional £12k per annum in income compared to the original budget.
- £41k favourable variance arising from utility agreements. As part of an agreement with one of the Councils service providers, there is provision for payment to the provider if utility levels fall below a certain threshold. Based on the utility levels used, the Council is confident it will not need to make this payment this financial year.

3.6 Law and Administration: £1k favourable variance (see appendix B5);

£10k favourable variance from the Business Support Team. One of the three posts in the team has been vacant during this financial year. A saving of £10k relates to this post but there is no planned restructure within the team meaning there is no saving to be considered in the 2018/19 budget setting process.

- £12k adverse variance arising from the transfer of the Land Registry Function. At the November 2016 Cabinet it was agreed to make £60k available for additional resources in relation to the proposed transfer of the Land Charges function to Her Majesty's Land Registry (Land Registry). During 2016/17 £14k of this budget was utilised, with the remainder contributed to earmarked reserves. Due to the uncertainty during 2017/18 budget setting £34k was built into the budget as a one-off growth, but costs will be £46k. The original budget, and increased forecast will both be funded from the earmarked reserve.

3.7 Public Health and Protection: £40k favourable variance (see appendix 7B);

- £35k favourable variance due to vacancies within the service. There have been two vacancies with the Environmental Health Team, and one vacancy within Licensing. One of the Environmental Health posts was filled in May and the other remains vacant. Options regarding the recruitment to this post are being considered alongside the use of contractors completing specialised inspections. Of this saving, £15k relates to Hackney Carriages, and it is proposed that this will be contributed to the Hackney Carriages earmarked reserve.

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 budget and spend 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 £1.426m. 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 quarter 2, the forecast outturn for the HRA is a deficit of £5,197k. This is an increase to the use of the HRA working balance of £182k from quarter 1. This is mainly due to a downward revision in dwelling rents and other smaller income budgets.

5.2 Proposed current budget changes of £154k are listed below:

- £154k adverse variance on dwelling rents. The rental is forecast to be £154k lower than budget, based on actual performance at the end of quarter 2 and stock movements during the year. The budget assumed an even profile for income generated from open market purchases and buy backs, but income will mainly start to be generated from September 2017 once void repairs and improvement works are carried out. The opening stock level was also slightly lower than budgeted due to a higher number of right to buy sales in 2016/17. Overall, the dwelling rent adjustment proposed is 0.3% of the total rental income, and these factors will be taken into account when setting the 2018/19 budget.

5.3 A key change to the forecast outturn changes at quarter 2 is detailed below:

- £81k favourable variance on repairs and maintenance. employee budget underspends are expected at about £81k

5.4 Appendix E details the proposed current budget changes and forecast position for the HRA, including an itemised list of changes that have been made to the current budget.

6 Outstanding Debts on Debtors System

6.1 The debtors system currently shows debts outstanding of £1,414,864. This is an increase on the June position of £1,299,599. This increase is mainly due to the cyclical nature of large quarterly commercial 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 £139,865 in the category over 365 days old. This is an increase of £22,262 on the figure outstanding at the end of June.

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 Currently, performance is being measured in debtor days; the current debtor days target is 33. At the end of September 2017 the rolling debtor days had increased to 43.86 days. Again this increase is mainly due to the cyclical nature of large quarterly commercial rental invoices, along with two older debts of a high value which have been paid since the end of the quarter.
- 6.7 A review of these debts is underway to ensure that debts which are genuinely recoverable are being actively chased and those which are not, are considered for write-off. Write-offs will be charged against the provision for bad debts, so there will be no revenue impact of this.
- 6.8 The debt management element of the Council's financial system is being reviewed as part of the upgrade taking place in early 2018, along with the creation of a Sundry Debt Collection Policy. This policy and systems review will both strengthen the governance framework and improve the debt management process.

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 reduced to £15k at the end of September 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 *4th October 2017*

Background papers to be listed (if applicable)

N/A

Appendices to be listed

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|--------------|---|
| 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 | Activity and Risk Budgets |
| D | Age debt profile for debts outstanding at the end of September 2017 |
| E | HRA budgetary position at the end of September 2017 |