

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

REVENUE BUDGET QUARTER 3 MONITORING REPORT FOR THE FINANCIAL
YEAR 2017-18

1 Executive Summary

- 1.1 This report presents the forecast revenue outturn position as at 31 December 2017 (Quarter 3) for the financial year 2017-18 and outlines the main variances from the original budget for both the General Fund (GF) and Housing Revenue Account (HRA).
- 1.2 The forecast contribution to the General Fund working balance is now £0.470m (refer to section 3 for details). This is a favourable movement of £198k against the £0.272m contribution reported at Quarter 2, and gives a forecast closing balance of £8.796m.
- 1.3 The forecast contribution from the Housing Revenue Account working balance is now £4.804m (see section 5 for details). This is a favourable movement of £393k against the £5.197 deficit reported to cabinet at Quarter 2, and gives a forecast closing balance of £5.932m.
- 1.4 Outstanding debts, total £1.574m, with rolling debtor days at 41.43 (refer to section 6).

2 Recommendation(s)

- 2.1 The Cabinet approve the changes to the forecast outturn position as at Quarter 3 and agree that the changes listed in paragraphs 3.3 to 3.9 and those in 5.2 to 5.3 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 are asked to note the position on debts set out in sections 6 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)
Approved Changes - Cabinet 7th November	(409,090)
TOTAL Net approved Current Budget	(272,082)

3.2 The difference between the Current Budget and the forecast at Quarter 3 is an increase to the working balances of £198k. Key variances against current budget are set out in paragraphs 3.3 to 3.9, and a summary of the General Fund position is shown in appendix A.

3.3 Resources: £877k favourable variance (see appendix B1);

- Income has increased by £355k in the estates management property portfolio, mainly due to a combination of the purchase and rental of several Hatfield Town Centre properties and higher than budgeted occupancy levels at the Weltech centre. £200k of this increased income will be used to fund a one-off capital project at Culpitt House. An ongoing increase in rental income has been factored into the proposed 2018/19 budget.
- As part of the 2017/18 budget setting process a new reserve was suggested to help smooth the impact of an increase in annual pension contributions after the triennial valuation in 2019. A contribution of £343k has been put into this reserve funded by savings a one-off pension saving, which has arisen due to the late changes for proposed contributions in the last triennial review. (Please refer to appendix A)
- As part of the 2018/19 budget setting process the central redundancy costs budget was reviewed. This has been proposed to be removed from the 2018/19 budget, and will not be spent in 2017/18 resulting in a favourable movement of £99k.

3.4 Policy and Culture: £70k favourable variance (see appendix B3);

- Since its refurbishment 2014, Campus West has been undertaking marketing campaigns, to increase awareness and market its activities. As part of the comprehensive review undertaken by independent specialist consultants, a recommendation was to reduce the budget for marketing by £50k, and to alter the approach to, and types of marketing undertaken. This efficiency has also been put forward as an ongoing saving in the 2018/19 budget setting process.
- Ticket sales of the Beauty and the Beast pantomime produced by Campus West have performed well with several sell out performances. This increase in sales has resulted in £20k increased income with the pantomime looking likely to make a profit for the first time since being produced in house.

- 3.5 Law and Administration: £45k favourable variance (see appendix B4);
- Postage costs are set to reduce by £40k on the original budget. This is due to an overall reduction in postage as well as a higher proportion being sent using 2nd class post.
- 3.6 Public Health and Protection: £10k favourable variance (see appendix B6);
- The Licensing income target of £90k has been exceeded over the past four years. This trend looks set to continue so the forecast outturn in 2017/18 has been increased by an additional £10k with an increase included in the proposed 2018/19 budget.
- 3.7 Community & Housing Strategy: £2k favourable variance (see appendix B7);
- £48k favourable variance from the Housing Strategy Team. A managerial post within the team has been vacant since the beginning of the financial year but it is hoped to be recruited to in the final quarter of the year. The post will be required and so has not been removed from the 2018/19 proposed budget.
 - The number of renewals for Houses in multiple occupation (HMOs) is not as high as originally budgeted. Mainly as a result of the cyclical nature of the licences in 2016/17 the income target was exceeded by £30k however income levels in 2017/18 are £45k lower than the original budget. Due to changes in legislation there is expected to be an additional 1,000 to 1,500 HMOs required in 2018/19. This has been factored into the 2018/19 base budget with a net additional £128k anticipated.
- 3.8 Interest & Investment Income: £137k favourable variance (see appendix A);
- Greater interest & investment income is being generated with the average balances higher than anticipated.
- 3.9 Contribution to earmarked reserves: In light of the challenges facing the council and that there are a number of projects that will unlock savings to the council in the longer term, but will require some initial investments. Also these projects may mitigate some of the risks that are faced by the council. It is proposed that £400k of the underspend reported be transferred to a new “Budget priority and transformation earmarked reserve”, any expenditure of this reserve will be decided by the Executive Board.

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 £234k. 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 Housing Revenue Account

- 5.1 The forecast contribution from the Housing Revenue Account working balance is now £4.804m. This is a favourable movement of £393k against the £5.197 deficit reported to cabinet in Quarter 2, and gives a forecast closing balance of £5.932m. The main contributing items for the variance are detailed in the following paragraphs.
- 5.2 A favourable variance of £293k has been forecast in Quarter 3 on employee expenditure. This is due to vacancies across the HRA. Within Property Services, there have been a number of vacancies which were anticipated to be recruited to earlier in the year. Some of these posts have been filled, but there has been some difficulty in recruiting to some roles. Due to the current transformation programme within Housing Operations, vacant positions are frozen across the HRA, pending the consultation and redeployment process.
- 5.3 As part of the budget setting process for 2018/19 and expenditure to date, a detailed review has been undertaken on the repairs and maintenance budgets. This has identified areas where budgets have been reduced for next year. The Quarter 3 forecast includes a favourable variance of £48k in relation to electrical services in which the costs are actually below the budgeted amount.
- 5.4 Based on spend to date, if current trend is maintained, then there is a possibility that further savings will occur on some specialist maintenance budgets and Mears responsive budget as well. In the course of the year, £85k has been transferred to Fire remedial works budget. If more is required in quarter 4, some of the savings may be channelled to this area.
- 5.5 Appendix E gives an itemised list of current budget and forecast outturn changes for the HRA.

6 Outstanding Debts on Debtors System

- 6.1 At the end of Quarter 3, debts outstanding totalled £1.574m. This is an increase of £159k on the September position of £1.415m; this increase includes an invoice under dispute of nearly £115k.
- 6.2 Performance is measured using a rolling debtor day ratio, with a target of 33 days. At the end of Quarter 3 the rolling debtor days had improved to 41.43 days, compared to 43.86 reported at Quarter 2.
- 6.3 The debtors system does not include debts for housing rents, council tax and business rates. Appendix D analyses the outstanding debt by age and across services.
- 6.4 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.

6.5 A review of these older debts has started to ensure that debts which are genuinely recoverable are being actively chased and those which are not, are considered for write-off. A comprehensive review of older debt is due for completion in quarter four of the financial year, and will be undertaken at least quarterly after this.

Implications

7 Legal Implication(s)

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

8 Financial Implication(s)

8.1 The financial implications are set out within this report.

9 Risk Management Implications

9.1 The risks related to this proposal are:

9.2 These are set out within the report.

10 Security & Terrorism Implication(s)

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

11 Procurement Implication(s)

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

12 Climate Change Implication(s)

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

13 Link to Corporate Priorities

13.1 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”.

14 Equality and Diversity

14.1 An EqIA was not completed because this report does not propose changes to existing service-related policies or the development of new service-related policies.

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Date *3rd January 2018*

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
B1-8	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>Head of Law and Administration</i>
<i>B5</i>	<i>Head of Planning</i>
<i>B6</i>	<i>Head of Public Health & Protection</i>
<i>B7</i>	<i>Head of Housing & Community</i>
<i>B8</i>	<i>Executive Board</i>
C	Activity and Risk Budgets
D	Age debt profile for debts outstanding at the end of December 2017
E	HRA budget overview and Reserves Summary