

Part I

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All Wards

WELWYN HATFIELD BOROUGH COUNCIL

CABINET – 5 JUNE 2018

REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND CULTURAL SERVICES)

REVENUE BUDGET OUTFURN REPORT FOR THE FINANCIAL YEAR 2017-18

1 Executive Summary

- 1.1 This report presents the revenue outturn position 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 Overall the General Fund outturn position is favourable with £0.470m being added to the General Fund working balance. (Refer to section 3 for details).
- 1.3 The outturn position for the Housing Revenue Account balance is a drawdown from the working balances of £4.157m (see section 5 for details).
- 1.4 Outstanding debts, total £1.182m, with rolling debtor days at 40.17 (refer to section 5).

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 2018.
- 2.2 Cabinet are asked to approve movements on earmarked reserves as detailed in paragraph 3.11.
- 2.3 Cabinet are asked to note the position on debts set out in section 5 of this report.

3 General Fund

- 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
Approved Changes - Cabinet 6th February	197,980
TOTAL Net approved Current Budget	470,062

- 3.2 The difference between the Current Budget and the outturn is a net nil movement. The key variances (over £50k) against current budget are set out in paragraphs 3.3 to 3.11, and a summary of the General Fund position is shown in appendix A.
- 3.3 Resources: £932k favourable variance (see appendix B1);
- 3.3.1 £163k favourable on Grant income – a number of new burden grants were passed to the Council from the Department for Works and Pensions (DWP) to support with legislative changes in Housing Benefit Administration and Universal Credit, and were not known at the time of budget setting. The majority of the changes were absorbed within existing budgets, resulting in a net underspend within the service.
- 3.3.2 £62k favourable on Employee Costs - There have been a number of vacant posts during the financial year with some posts covered by agency staff. The current vacant posts are out to advert or will be in the near future.
- 3.3.3 £109k favourable on Property Income – The property portfolio 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. In addition occupancy levels at Weltech have far exceeded the target with the building being fully occupied as at 31 March.
- 3.3.4 £81k favourable on IT support and telephone costs - There has been a reduction in IT costs mainly due a reduction in the work completed outside the scope of our contract with Sopra-Steria, together with stringent budget management controls on hardware and software purchases.
- 3.3.5 £71k favourable on Insurance Provision Costs – The MMI (Municipal Mutual Insurance) Scheme of Arrangement was established in January 1994 to offer financial provision for insurance claim settlements under policies incepted with MMI. In previous years this provision has been wholly charged to the General Fund. After a review of the scheme, a proportion has been correctly charged to the HRA, resulting in a reduced cost to the General Fund.
- 3.3.6 £200k on Revenue contribution to capital (charged outside of cost of services) – The budgeted contribution to capital was included in the cost of services. This has been charged in line with accounting principles outside of the cost of services, so this variance is offset by an equal overspend set out in paragraph 3.10_
- 3.4 Environment: £576k favourable variance (see appendix B2);
- 3.4.1 £450k favourable on Domestic Refuse and Recycling - Additional subsidy from has been received from Hertfordshire County Council (HCC), following an updated calculation for the Alternative Financial Model. This increase in income has been reflected in the 2018/19 budget setting process. In addition to this, additional income has been generated through the sale of recyclable materials from favourable actual rates compared to the budgeted rates.
- 3.5 Policy and Culture: £177k favourable variance (see appendix B3);
- 3.5.1 £75k favourable on Utility Costs - 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. Due to an over accrual in last

financial year and underspends in 2017/18, this exercise has resulted in a budgetary underspend of £75k.

- 3.5.2 £19k favourable – In addition to the £70k saving reported to Cabinet in February, Campus West has achieved a further net underspend of £50k (less £31k vacancy factor). This is as a result of underspends in expenditure more than offsetting shortfalls in income. As part of a review held on the way Campus West is run the marketing function has been moved to the councils Communications team which has made a separate in year saving of £32k. These changes and underspends have brought the overall controllable costs of Campus West down from £705k in 2016/17 to £433k in 2017/18.
- 3.6 Planning: £309k favourable variance (see appendix B5);
- 3.6.1 £264k favourable on Local Plan Costs (moved to earmarked reserves) - Work is ongoing with 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 to future years. The underspend is proposed to be moved to earmarked reserves as set out in paragraph 3.11.
- 3.7 Community & Housing Strategy: £322k favourable variance (see appendix B7);
- 3.7.1 £113k favourable on Grant Funding (moved to earmarked reserves) - As part of the Homelessness Reduction Act the Council received grant funding to help meet the requirements of the new legislation. Due to the timing of the grants and resources within the team, the grants have not yet been fully utilised. The balance is proposed to be moved to earmarked reserves as set out in paragraph 3.11.
- 3.7.2 £84k favourable on Grant and Miscellaneous Income (moved to earmarked reserves) - As part of the production of the 2017/18 Statement of Accounts, the accounting treatment of miscellaneous deposits has been reviewed. This identified a number of grants which should have been released to services in the year of receipt. These grants have been released to services, but in order to ensure they are available for the intended projects, it is proposed these be moved to earmarked reserves as set out in paragraph 3.11
- 3.8 Net recharge to the HRA: £226k adverse variance (see appendix A);
- 3.8.1 Support service costs are apportioned and recharged to the HRA. As a result of savings made across the General Fund a reduced amount has been recharged.
- 3.9 Taxation and non specific grant income and expenditure: £1.219m favourable variance (see appendix A);
- 3.9.1 As part of the changes to Business Rate Retention introduced in 2013/14, the Council now has to pay over a levy to Central Government equal to half its expected growth in Business Rate income. In 2017/18 the Council is paying £1.219m less than forecast. The council achieved lower business rates income than budgeted, resulting in a lower levy payment. This has also resulted in a deficit on the collection fund, and additional contributions to earmarked reserves are proposed in section 3.11 to fund the remaining deficit in future years.
- 3.10 Other operating income and expenditure: £642k adverse variance (see appendix A);

3.10.1 Of this variance, £200k relates to the cost which had been budgeted in services, and is offset as set out in paragraph 3.3.6. In addition, there are underspends on salaries due to the capitalisation of salaries. In order to fund this capitalisation, an additional contribution to capital has been made. In addition to this the capital financing charge has been reviewed and has been calculated in line with the Councils Treasury Management Strategy.

3.11 Contribution to earmarked reserves: There has been a net contribution to ring fenced reserves and the Strategic Initiatives reserve of £3.189m.

Name of Earmarked Reserve	2017/18 In-year movements to / (from) £'000	Notes
Strategic Projects	196	For use on one-off specific general fund projects for corporate strategies and initiatives
Budget Priority and Transformation	400	A new reserve has been created to fund a number of projects to help unlock long-term savings for the Council
Hackney Carriages	13	Any surplus made on Hackney Carriages is contributed to the reserve for reinvestment into the service, or to offset future deficits. This is due to legislation preventing profits on the service.
Pension Fund	500	As set out in the MTFs, a strategic priority for surpluses is contributing to the pensions reserve in order to support any one off payments on the three year revaluation cycle.
Resources	1,695	As set out in 3.9.1, there is a deficit on the collection fund. This top up to the reserve ensures the Council has enough resources to repay the deficit over the next two years as required by statute.
Law and Administration	(66)	This has been used to fund one-off Individual Electoral Registration expenditure and for the Land Charges transfer of function to the Land Registry
Planning	261	As set out in 3.6.1, this contribution is being made from underspends on the Local Plan, following a rephrasing of the expenditure.
Public Health and Protection	(9)	This has been used to fund one-off public health projects.
Housing and Community	199	This is being used to fund the future costs of the Homelessness service
TOTAL	3,189	

4 Housing Revenue Account

4.1 The outturn position for the Housing Revenue Account balance is a drawdown from the working balances of £4.157m. This is a favourable movement of £647k against

the deficit reported to cabinet in Quarter 3, and gives a forecast closing balance of £6.579m. The main contributing items for the variance are detailed in the following paragraphs.

- 4.2 £403k favourable variance within Special Services – As set out in 3.8, the recharge from the General Fund has been reduced by £226k, leading to a favourable variance on the HRA.
- 4.3 £599k favourable variance on Repairs and Maintenance - £296k (4.5% of budget) was derived from underspends in Mears revenue element, mainly relating to a lower number of void properties compared to budget, also major repairs were lower than anticipated. There were further underspends totalling £160k on gas servicing, door entry systems, lifts repairs and electrical services, largely due to capital programmes being in place, reducing the need for servicing. There has been lower spend on professional fees budget by £79k, and an underspend of £50k on the major works insurance excess budget.
- 4.4 £344k adverse variance on Rents, Rates, Taxes and Other Charges – Due to a change in the way the provision is charged for the MMI provision (see paragraph 3.3.6), a one off contribution to the MMI provision has been made for £275k. In addition, Council Tax costs are higher for the year due to the open market purchases through the affordable housing programme
- 4.5 Appendix E gives an itemised list of current budget and forecast outturn changes for the HRA.

5 Outstanding Debts on Debtors System

- 5.1 At the end of March 2018, debts outstanding totalled £1.182m. This is a reduction of £392k on the December position of £1.574m.
- 5.2 Performance is measured using a rolling debtor day ratio. At the end of March 2018 the rolling debtor days had improved to 40.17 days, compared to 41.43 reported at Quarter 3.
- 5.3 The debtors system does not include debts for housing rents, council tax and business rates. Appendix C analyses the outstanding debt by age and across services.
- 5.4 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.

Implications

6 Legal Implication(s)

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

7 Financial Implication(s)

7.1 The financial implications are set out within this report.

8 Risk Management Implications

8.1 The risks related to this proposal are:

8.2 These are set out within the report.

9 Security & Terrorism Implication(s)

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

10 Procurement Implication(s)

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

11 Climate Change Implication(s)

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

12 Link to Corporate Priorities

12.1 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".

13 Equality and Diversity

13.1 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	17 May 20018

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	Age debt profile for debts outstanding at the end of March 2018
D	HRA budget overview and Reserves Summary