

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 6 NOVEMBER 2018
REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

REVENUE BUDGET QUARTER 2 MONITORING REPORT FOR THE FINANCIAL
YEAR 2018-19

1 Executive Summary

- 1.1 This report presents the forecast revenue outturn position as at 30 September 2018 (Quarter 2) for the financial year 2018-19 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 £0.063m (refer to section 3 for details). This is a favourable movement of £0.163m on the £0.100m drawdown reported in the Original Budget.
- 1.3 The forecast Housing Revenue Account balance is £3.465m, which is a favourable movement of £0.226m from that reported at Quarter 1. Of this variance, £0.565m relates to a higher opening HRA balance than anticipated in the Original Budget
- 1.4 Outstanding debts, total £1.241m, with rolling debtor days at 35.85 (refer to section 6).

2 Recommendation(s)

- 2.1 The Cabinet note the revenue forecast outturn position as at Quarter 2.
- 2.2 That Cabinet approve the following virements, as detailed in section 3.3
- 2.3 That Cabinet note the position on debts set out in sections 6 of this report.
- 2.4 That Cabinet note underspends in the current year will be contributed to the Budget Priority and Transformation Earmarked Reserve to support the Council to invest in services and drive efficiency improvements in future years.

3 General Fund Services

- 3.1 The difference between the Current Budget and the forecast at quarter 2 is a variance of £163k, with £63k being added to the General Fund position. It should also be noted that a net £10k has been added to the forecast position of the earmarked reserves. Key variances against Current Budget are set out in paragraph 3.3 - 3.6, and a summary of the General Fund position is shown in appendix A. For information on other minor variances please refer to appendices B1-B8.

- 3.2 It is proposed that any underspend on the General Fund be contributed towards the Budget Priority and Transformation Earmarked Reserve, to support the Council to invest in services and drive efficiency improvements in future years.
- 3.3 Virements (net nil movements) to be agreed:
- 3.3.1 The Council have received additional grants to help meet our legal Homelessness requirements, specifically in relation to the Homelessness Reduction Act. This virements recognises the grant income and associated expenditure:
- Increase in Grant Income (Housing and Community Services) £264k
- Increase in Supplies and Services expenditure (Housing and Community Services) £264k
- 3.3.2 As part of the 2018/19 budget setting process it was agreed that the additional resource for the change in legislation relating to Houses of Multiple Occupation would be funded from additional income raised. The change in legislation occurred in October 2018 which was later than anticipated, resulting in less income and therefore a lower resource requirement for the first half of the year. This virements seeks to adjust the budget for this, and to move the net cost to the correct expenditure heading:
- Increase in Employee Expenditure (Housing and Community Services) £117k
- Decrease in Income (Housing and Community Services) £43k
- Decrease in Third Party Payments (Housing and Community Services) £160k
- 3.3.3 Since the redevelopment of Campus West in 2014/15 there have been various changes to the operation at the site, including a fundamental review of the service during 2017/18 which led to a high level reduction to budgets for 2018/19. This virement seeks to realign budgets in line with the service review:
- Decrease Employee Expenditure (Policy and Culture) £130k
- Decrease Third Party Payments expenditure (Policy and Culture) £11k
- Decrease Supplies and Services (Policy and Culture) £20k
- Decrease Premises Expenditure (Policy and Culture) £2k
- Decrease Income (Policy and Culture) £163k
- 3.4 Resources: £162k favourable variance (see appendix B1);
- 3.4.1 £46k Favourable variance in relation to insurance premiums. The cost of premiums for the current year were lower than anticipated during the budget setting process. This saving will be used to offset any inflationary increases in premiums as part of the 2019/20 budget setting process.
- 3.4.2 £40k Adverse variance in relation to a prior year for the administration of the Business Rates Pool. This variance will be funded from the Business rates Earmarked Reserve.

- 3.4.3 £135k Favourable variance on property income: Income has increased in the estates management property portfolio, mainly due to the rental of properties within Hatfield Town Centre. This increase is ongoing and will be factored into the proposed 2019/20 budget setting process.
- 3.5 Environment: £74k favourable variance (see appendix B2);
- 3.5.1 £50k Favourable variance in relation to the Alternative Financial Model (Landfill Reduction). In order to incentivise councils to recycle central government issue a subsidy to Hertfordshire County Council (HCC) which is then apportioned out across the 10 boroughs using an agreed method called the Alternative Financial Model. Based on current recycling rates across the borough it is forecast by year end that we will receive additional £50k subsidy than budgeted making the forecasted total subsidy £365k.
- 3.6 Interest & Investment Income: £63k favourable variance (see appendix A);
- 3.6.1 Average cash balances have been higher than originally budgeted resulting in additional investment income. This is supported by the ongoing review of the phasing of the capital programme.

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 £200k. 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 £3.465m. This is a favourable movement of £800k against the original budget, mainly due to additional balances rolled forward of £565k. The additional movement of £0.226m from Quarter 1 is explained below.
- 5.2 £198k favourable variance on supervision and management: This relates to costs relating transformation within Housing operations. There were costs committed to in last year and so a provision was set up and this will cover most of the costs as they arise. This has caused an underspend in the current year which has been considered as part of the 2019/20 Budget Setting process and longer term financial plans.

- 5.3 £40k net favourable variance on dwelling rents arising from a higher occupancy in the hostels which is offset by higher void percentage (from 0.06% based on budget set to 0.08% as at August 2018) on general needs dwellings.
- 5.4 £69k favourable variance has arisen on hostel income, from the higher occupancy levels than anticipated when setting the budget.
- 5.5 Appendix E gives an itemised list of current budget and forecast outturn for the HRA.

6 Outstanding Debts on Debtors System

- 6.1 At the end of Quarter 2, debts outstanding totalled £1.241m. This is an increase of £205k on the Quarter 1 position of £1.036m.
- 6.2 Performance is measured using a rolling debtor day ratio, with a target of 38 days. At the end of Quarter 2 the rolling debtor days had improved to 35.85 days, compared to 37.79 reported at Quarter 1.
- 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.

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.

15 Health and Wellbeing

15.1 There are no direct implications in relation to health and wellbeing arising from this report.

16 Communication and Engagement

16.1 There are no direct requirements for communication and engagement arising from this report.

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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>Corporate Management Team</i>
C	Activity and Risk Budgets
D	Age debt profile for debts outstanding at the end of September 2018
E	HRA budget overview and Reserves Summary