

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 5 FEBRUARY 2019
REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT &
CULTURAL SERVICES)

REVENUE BUDGET QUARTER 3 MONITORING REPORT FOR THE FINANCIAL
YEAR 2018-19

1 Executive Summary

- 1.1 This report presents the forecast revenue outturn position as at 31 December 2018 (Quarter 3) 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 from the General Fund working balance is £0.100m (refer to section 3 for details). There are net favourable variances of £0.206k from the figures reported at Quarter 2 which will be contributed to Budget Priority and Transformation reserve.
- 1.3 The forecast Housing Revenue Account balance is £2.595m, which is an adverse movement of £0.635m from the Current Budget.
- 1.4 Outstanding debts, total £1.473m, with rolling debtor days at 33.27 (refer to section 6).

2 Recommendation(s)

- 2.1 The Cabinet note the revenue forecast outturn position as at Quarter 3.
- 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 Key variances against Current Budget are set out in paragraph 3.3 - 3.5, 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 The net underspend on the General Fund will be contributed towards the Budget Priority and Transformation Earmarked Reserve (as reflected in Appendix A), 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 estimated it would pay out in excess of £41m in benefit payments during 2018-19 and receive the majority of this sum back in subsidy from the DWP. Figures have been amended based on the latest information and due to the large sums of money any changes to forecast are deemed to be material:

Reduction in Transfer Payments expenditure £678k

Reduction in Income £678k

- 3.3.2 In 2015-16 the Council entered into an agreement with BBC (Broxbourne Borough Council) for them to also use Sopra Steria. WHBC pays bills directly to Sopra Steria and then recharges these costs to BBC:

Increase in Third Party Payments expenditure £1,025k

Increase in Income £1,025k

- 3.3.3 The Council has received additional grants as part of the transfer of claimants to Universal Credits. This virement recognises the grant income and associated expenditure:

Increase in Third Party Payments expenditure £101k

Increase in Income £101k

- 3.3.4 As per the 2019/20 budget working papers there have been changes to the types of recycling income received. This is made up of movements totalling £205k within the different income streams.

- 3.3.5 The demands of the Planning department have increased along with an increase in applications. In order to cope with this rise in demand additional resources are required. This virement recognises the increase in resources offset by increased income:

Increase in Employees expenditure £9k

Increase in Supplies and Services expenditure £91k

Increase in Income £100k

- 3.4 Resources: £525k favourable variance (see appendix B1);

- 3.4.1 £344k 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, lower than expected vacant properties and the disposal of some freehold reversions to existing tenants. £135k of the rental income has already been reported in quarter 2 and any ongoing rental increases factored into the proposed 2019/20 budget setting process. In addition occupancy levels at Weltech have far exceeded the target.

- 3.4.2 £77k 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 either out to advert or have been filled in the last few months.

- 3.4.3 £59k favourable variance in relation to insurance premiums: The costs of premiums for the current year is lower than the original budget £46k of this saving has already been reported in quarter 2 with the saving to be used to offset any inflationary increases in premiums as part of the 2019/20 budget setting process.
- 3.4.4 £27k favourable variance on Merchant service charge: The Council has to pay a merchant service charge on every credit and debit card transaction. This contract has recently been retendered resulting in a £32k net saving.
- 3.4.5 £23k favourable variance on IT support and telephone costs - There has been a reduction in IT costs mainly due to 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.
- 3.4.6 £15k favourable variance from External audit contract with EY: Since the abolition of the Audit Commission on 31st March 2015 and introduction of Ernst & Young as the council's external auditors there have been reductions in the fees paid. An additional contract saving of £15k has been realised in this financial year.
- 3.5 Community & Housing Strategy: £98k adverse variance (see appendix B7);
- 3.5.1 £98k adverse variance in relation to Temporary Accommodation costs: The council is facing a rise in homelessness and consequently the pressure on the council's temporary accommodation has increased and led to higher reliance on bed and breakfast accommodation. This is a one-off expenditure and not built into the 2019/20 budget as plans are in place at various sites to create more temporary accommodation places.
- 3.6 To see other minor variances or items that have been previously reported please refer to appendices B1-B8.

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 £192k. 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 Housing Revenue Account balance is now £2.595m. This is an adverse movement of £0.635m against the Current Budget. There is an adverse movement of £0.870m from the forecast reported at Quarter 2 which is explained below.

5.2 The net movement of £0.870m largely consists of:

- a) Non-Dwelling Rent (£0.017m) – This adverse variance is due to garage voids being higher than budgeted.
- b) Charges for Services and Facilities (£0.041m) – The favourable variance reported in Q2 on Charges for Services and Facilities is expected to decrease due to reduced income from alarm monitoring, Community Facilities Charges and rechargeable repairs.
- c) Repairs and Maintenance (£0.070m) – The favourable variance reported in Q2 on Repairs and Maintenance is expected to increase due to a reduction on professional fees within Property Services following recent restructuring and staff appointments
- d) Special Services (£0.041m) - This adverse variance is due to increased cleaning and equipment costs on hostels which is proportionate to increased occupancy. This however should be offset by additional hostel income.
- e) Revenue Contribution to Capital or RCCO (£0.841m) – This adverse variance is the additional amount available to finance the capital spend from RCCO while maintaining a minimum HRA balance requirement of 5% of income (income is calculated as Total Income less void rent expense) as set out in the Medium Term Financial Strategy.

5.3 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 3, debts outstanding totalled £1.473m. This is an increase of £232k on the Quarter 2 position of £1.241m.

6.2 Performance is measured using a rolling debtor day ratio, with a target of 38 days. At the end of Quarter 3 the rolling debtor days had improved to 33.27 days, compared to 35.85 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.

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.

Name of author *Daniel Williams Ext. 2389*
 Title *General Fund Business Partner*
 Date 10th January 2019

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 December 2018
E	HRA budget overview and Reserves Summary