

Part I
Item No:
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Executive Member: Cllr Duncan Jones
All Wards

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 7 NOVEMBER 2023
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

QUARTER 2 REVENUE BUDGET MONITORING REPORT 2023-24

1 Executive Summary

- 1.1 This report presents the forecast revenue outturn position as at 30 September 2023 for the financial year 2023-24 and outlines the main variances from the original budget for both the General Fund (GF) and Housing Revenue Account (HRA).
- 1.2 There is a forecast adverse variance on the General Fund net cost of services of £1.732m (see Section 3 for further detail). A summary showing the General Fund position is contained in **Appendix A1**.
- 1.3 This leaves a net drawdown from the General Fund Reserve of £1.589m which is an increase in the planned use of balances by £0.973m (see **Appendix A2**).
- 1.4 The forecast closing balance on the Housing Revenue Account is £2.961m, which is an adverse movement of £0.045m from the Current Budget (see Section 4 for further detail).
- 1.5 Outstanding debts as at 30 September total £2.811m, with rolling debtor days at 51.99 (refer to Section 5).

2 Recommendation(s)

- 2.1 That Cabinet note the revenue forecast outturn position as at Quarter 2 (30 September 2023).
- 2.2 That Cabinet approve the virements set out in Section 3.1.2 of this report.
- 2.3 That Cabinet note the position on debts set out in Section 5 of this report.

3 General Fund Monitoring

3.1 General Fund Budgets

- 3.1.1 Since the original budget was set there are no additional approved drawdowns from general balances. A summary of General Fund reserves is shown in **Appendix A2**.
- 3.1.2 It is recommended that the following virements be approved:

The employer contribution to the pension fund has increased from 18.3% to 19.3%. The increase was budgeted for centrally and therefore the following virement is required to realign budgets.

Directorate	Virement Required
Customer Service and Transformation	£9,480
Finance	(£114,480)
ICT and Digital	£1,520
Legal and Governance	£15,590
Regeneration and Economic Development	£10,720
Planning	£21,200
Leisure, Community and Cultural Services	£20,590
Resident and Neighbourhood	£27,830
Property Maintenance and Climate Change	£4,560
Senior Leadership Team	£2,990
HRA – Finance and Transformation	(£54,760)
HRA – Place	£6,460
HRA – Resident and Neighbourhood	£30,040
HRA – Property Maintenance and Climate Change	£18,260

3.2 General Fund Cost of Service Variances:

3.2.1 The table below summarises the year-to-date variances and forecast variances for the net controllable income and expenditure. The columns show whether the variances are expected to be offset by contributions from reserves, funded from grants, due to a timing difference, or remain as a forecast outturn variance. Each variance listed in Appendices B1 to B10 are marked a to f, cross referencing to the table below.

	Analysis of year-to-date variance compared to forecast	Year to Date Variance £000	Forecast Variance £000
a)	Variations to be offset by earmarked reserve use	130	0
b)	Variations associated with grant income	(2,272)	113
c)	Timing differences/profiling	(488)	(2)
d)	Variations with a year-end forecast	(2,170)	1,678
e)	Variations with no year-end forecast	(251)	(0)
f)	No year to date variance but forecast variance	0	0
	Total	(5,051)	1,788

3.2.2 We would usually anticipate the forecast variance on row d) of the table above, to be in line with the run rate of the year-to-date variance. This is not the case for a few key reasons:

- The external auditors have not yet billed for 2022/23 work, and 2023/24 quarter 1 work, so the year-to-date variance is an underspend of (£207k) against a year-end forecast overspend of £21k (as shown in detail in appendix B2).
- Due to profiling of the commercial rent income, the year-to-date favourable variance is (£570k) against an adverse year-end forecast of £275k (as shown in appendix B5).
- A number of unbudgeted fines have been issued (£550k) which are being actively pursued. As this level of fines are unusual, and unbudgeted, the income has not been included in the forecasts until we are confident these will be collectable.
- The Council's Insurance products are forecasted to cost more than budgeted for. The year to date underspend is a result of payment not yet being made so there is a year to date variance of (£438k), this is expected to be made in the coming weeks. This is however forecast to be overspent by £67k due to increases in the housing and leasehold insurance market.

3.2.3 Explanations for all key year-to-date variances and forecast variances are included in the Executive Director / Service Director breakdowns in **Appendices B1 to B10**. Key variances to highlight since Quarter 1 are summarised below:

	£'000
Quarter 1 net controllable income and expenditure forecast variance	1,000
Net change in forecasts for vacancies and agency staff	335
Loss of crematorium income due to delayed opening	96
Higher unsubsidised benefit payments than budgeted	682
Software annual costs higher than budgeted	25
Parking income lower than budgeted	63
Shortfall in income from planning fees and charges	112
Utilities charges lower than budgeted	(259)
Contract inflation fluctuations	176
Additional garage income due to high demand	(128)
Telephone costs more than budgeted	49
Shortfall in allotment income	27
Net recycling income and expenditure forecast	(276)
Reduced expenditure on contractors	(69)
Other smaller changes	(45)
Net controllable income and expenditure forecast variance as at end of Quarter 2	1,788

3.2.4 **Appendix F** contains a savings tracker to measure agreed budgeted savings against forecasts. Most of the savings are currently anticipated to be delivered, but key items to note are listed below:

- Due to delays in the crematorium opening caused by issues with utility access, the budgeted saving of £25k will not be achieved.
- The budgeted saving of £139k in parking will not be achieved, due to reduced levels of income than expected.

Other General Fund Variances

3.2.5 Increases in costs of living are expected to continue to impact on collection rates, council tax support and business rates reliefs provided during 2023/24. These will all impact on the collection fund surplus or deficit, but due to regulations and accounting practice, any impact in the current financial year will be reversed out from the General Fund and will instead impact in future years.

3.2.6 Employer pension contributions rates have increased from 18.3% to 19.3%. As only 18.3% was budgeted for, this will cause an additional pressure on budgets across all service areas. A virement to reflect this is included in Section 3.1.2 for approval.

3.2.7 A pay agreement has been reached nationally for senior management but discussions regarding the 2023/24 pay award for all other staff are still ongoing. Depending on the level of pay offer agreed, this could have a significant impact on salary budgets.

4 Housing Revenue Account

4.1 Housing Revenue Account Balances

4.1.1 Since the original budget was set there are no additional approved drawdowns from balances.

4.2 Virements

4.2.1 There have been no officer approved virements between Executive Director / Service Director areas since the approved budget, and no recommended virements for Cabinet to consider for the Housing Revenue Account.

4.3 Housing Revenue Account Variances:

4.3.1 The forecast closing balance on the Housing Revenue Account is £2.961m, which is an adverse movement of £0.045m from the Current Budget. **Appendix C1** provides the HRA Income and Expenditure Statement with forecast variances. **Appendix C2** provides the same information, but in Executive Director / Service Director format, along with forecast balances for the Housing Revenue Account.

4.3.2 The table below summarises the year-to-date variances and forecast variances by Executive Director / Service Director. The columns show whether the variances are expected to be offset by contributions from reserves, funded from grants, due to a timing difference, or remain as a forecast outturn variance. Each variance listed in Appendices D1 to D4 are marked a to f, cross referencing to the table below.

	Analysis of year-to-date variance compared to forecast	Year to Date Variance £000	Forecast Variance £000
a)	Variations to be offset by earmarked reserve use	0	0
b)	Variations associated with grant income	0	0
c)	Timing differences/profiling	(3,011)	48
d)	Variations with a year-end forecast	(1,921)	(185)
e)	Variations with no year-end forecast	(23)	(1)
f)	No year to date variance but forecast variance	0	0
	Total	(4,954)	(138)

4.3.3 We would usually anticipate the forecast variance on row d) of the table above, to be in line with the run rate of the year-to-date variance. This is not the case for a couple of key reasons:

- The pension payment made in quarter 1 was evenly profiled in the budget. There will be a variance on this, but not as high as the run rate for the year-to-date variance.
- Service charge income received from leaseholders is expected to be lower than billed due to issues around reclaiming historic costs owed, and a lower uptake than expected for fire doors.
- Council tax costs on void properties have been incurred due to delays to capital schemes, notably Queensway and Howard House. Due to the way council tax is billed, the year-end variance is not expected to increase significantly from what has already been paid.

4.3.4 Explanations for all key year-to-date variances and forecast variances are included in the Executive Director / Service Director breakdowns **Appendices D1 to D4**. Key variances to highlight since Quarter 1 are summarised below:

	£'000
Quarter 1 net controllable income and expenditure forecast variance	747
Net change in forecasts for vacancies and agency staff	167
Reduced rental income due to delays in capital projects	200
Leaseholder insurance payment higher due to reduced suppliers in market	63
Service charge income pressures	178
Reduced income from hostels	140
Utilities charges lower than budgeted	(333)
Contract payments for repairs higher than expected	48
Ongoing disrepair claims	130
Increased inflation on software budget	17
Other smaller changes	41
Net controllable income and expenditure forecast variance as at end of Quarter 2	1,399

4.4 Other Housing Revenue Account Variances

4.4.1 There is a forecasted increase of £0.126m in the Revenue Contribution to Capital. This has been adjusted due to the service variances identified to ensure the HRA maintains a minimum balance of 5% of total income, as set out in in the Medium-Term Financial Strategy.

5 Outstanding Debts on Debtors System

5.1 At the end of September 2023, debts outstanding totalled £2.811m. This is an increase of £0.542m on the June position of £2.269m.

- 5.2 Most garages debt has now been moved from the Business World system to the Orchard system. This debt is therefore no longer included within this report and will be reported on separately.
- 5.3 Performance is measured using a rolling debtor day ratio. The current target is 40 days and at the end of September 2023 the rolling debtor days totalled 51.99 days. This is an increase on the 49.39 days reported at the end of June 2023.
- 5.4 The outstanding debts that range between 91-365 days old have increased from £241k as at the end of June 2023 to £343k at the end of September.
- 5.5 One of the largest areas of debtors relates to commercial property. For the majority of tenants which have not been able to pay, deferments and payment plans have been agreed and are being closely monitored.
- 5.6 The debtors system does not include debts for housing rents, garages, council tax and business rates. **Appendix E** analyses the outstanding debt by age and across services.
- 5.7 Detailed information on outstanding debts is sent to Executive Directors and Service Directors for action where appropriate and discussed at regular budget monitoring meetings. A pro-active approach is taken in managing debts by finance, legal and services.

Implications

6 Legal Implication(s)

- 6.1 There are no direct 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 set out within the report where appropriate.

9 Security and Terrorism Implication(s)

- 9.1 There are no security and 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 Equality Impact Assessment (EqIA) was not completed because this report does not propose changes to existing service-related policies or the development of new service-related policies.

14 Health and Wellbeing

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

15 Human Resources Implications

- 15.1 There are no direct human resources implications 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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Appendices:

A1	General Fund Revenue Budget Summary
A2	General Fund Reserves Summary
A3	General Fund Virements
B1-10	Variance analysis by Executive Director / Service Director
C1	HRA Budget Summary
C2	HRA Budget Summary by Executive Director / Service Director and Reserves
D1-4	Variance analysis by Executive Director / Service Director
E	Aged Debt for debts outstanding at the end of September 2023
F	Savings Tracker