

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

WELWYN HATFIELD BOROUGH COUNCIL  
CABINET – 6 FEBRUARY 2024  
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

## **QUARTER 3 REVENUE BUDGET MONITORING REPORT 2023-24**

### **1 Executive Summary**

- 1.1 This report presents the forecast revenue outturn position as at 31 December 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 £1.537m (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 £1.148m which is an increase in the planned use of balances by £0.547m (see **Appendix A2**).
- 1.4 The forecast closing balance on the Housing Revenue Account is £2.948m, which is an adverse movement of £0.058m from the Current Budget (see Section 4 for further detail).
- 1.5 Outstanding debts as at 31 December total £2.299m, with rolling debtor days at 54.82 (refer to Section 5).

### **2 Recommendation(s)**

- 2.1 That Cabinet note the revenue forecast outturn position as at Quarter 3 (31 December 2023).
- 2.2 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**. A summary of General Fund virements is shown in **Appendix A3**.

#### **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.

	<b>Analysis of year-to-date variance compared to forecast</b>	<b>Year to Date Variance £000</b>	<b>Forecast Variance £000</b>
<b>a)</b>	Variations to be offset by earmarked reserve use	131	0
<b>b)</b>	Variations associated with grant income	(2,712)	(13)
<b>c)</b>	Timing differences/profiling	(247)	0
<b>d)</b>	Variations with a year-end forecast	(2,379)	1,550
<b>e)</b>	Variations with no year-end forecast	8	0
<b>f)</b>	No year to date variance but forecast variance	0	0
	<b>Total</b>	<b>(5,199)</b>	<b>1,537</b>

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 (£244k) against a year-end forecast overspend of £46k (as shown in detail in Appendix B2).
- 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 year end forecasts until we are confident these will be collectable (Appendix B8).
- Detailed work has been ongoing on utility forecasts, and the year-end forecast is now an overspend for leisure facilities and property maintenance of £196k, as shown in Appendix B7 and Appendix B9. Due to delays in receiving utility invoices, the year-to-date variance in these two areas is an underspend of (£430k).

- There is a year-to-date underspend of (£250k) for grounds maintenance due to timing delays in receiving invoices, as shown in Appendix B8. A year-end forecast overspend of £48k is expected due to increased expenditure required to treat Japanese knotweed.
- Due to private sector landlords leaving the housing sector and delays in new landlord licences being issued, reduced income for the Council resulting in a year-end forecast overspend of £63k is shown in Appendix B8. There is a year-to-date variance of (£291k) which is due to licence income being smoothed over a five year period.

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 2 are summarised below:

	<b>£'000</b>
<b>Quarter 2 net controllable income and expenditure forecast variance</b>	<b>1,788</b>
Net change in forecasts for vacancies and agency staff	(146)
Shortfall in income from Hackney Carriages	72
Reduced income from burials due to lower demand than expected	28
Printing and publicity higher spend than expected	21
Reduction to previous forecast overspend on unsubsidised benefit payments	(118)
Net recycling income and expenditure forecast	(126)
Reduction from forecast overspend to a forecast surplus for parking income	(206)
Reduction from forecast overspend to a small forecast surplus for rental income	(261)
Increase in forecast overspend for planning legal and consultancy appeals	84
Leisure contract management fee not budgeted for (corrected for 24/25)	64
Shortfall in Private Sector Housing fine income	32
Shortfall in Private landlord income due to landlords leaving the sector	63
Shortfall in allotment income	10
Reduction in forecast underspend for utilities due to fluctuations in energy costs	67
Increased software costs	11
Other smaller changes	154
<b>Net controllable income and expenditure forecast variance as at end of Period 9</b>	<b>1,537</b>

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. This saving relates to off street parking income and season ticket and permit income only.

#### 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 has been processed.

## **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.

4.1.2 A summary of HRA virements is shown in **Appendix D5**.

### **4.2 Housing Revenue Account Variances:**

4.2.1 The forecast closing balance on the Housing Revenue Account is £2.948m, which is an adverse movement of £0.058m 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.

4.2.2 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.

	<b>Analysis of year-to-date variance compared to forecast</b>	<b>Year to Date Variance £000</b>	<b>Forecast Variance £000</b>
<b>a)</b>	Variations to be offset by earmarked reserve use	0	0
<b>b)</b>	Variations associated with grant income	0	0

<b>c)</b>	Timing differences/profiling	(3,897)	9
<b>d)</b>	Variances with a year-end forecast	(2,709)	(376)
<b>e)</b>	Variances with no year-end forecast	18	(0)
<b>f)</b>	No year-to-date variance but forecast variance	0	0
	<b>Total</b>	<b>(6,588)</b>	<b>(367)</b>

4.2.3 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.
- There is a year-to-date variance of (£2.818m) on interest payments on loans as there are a number of interest payments still to be made. The year-end forecast is currently (£1.725m) and this is closely monitored throughout the year.

4.2.4 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 2 are summarised below:

<b>Quarter 2 net controllable income and expenditure forecast variance</b>	<b>1,399</b>
Net of vacancies and agency staff	(161)
Reduced rental income due to project delivery delays	352
Interest received higher than expected	(325)
Capital recharges pressures	49
Income shortfall from hostels due to reduced occupancy	(140)
Reduced council tax due to void properties	80
Utilities bills	(61)
Car Allowance payments higher than expected	20
Legal fees for disrepair claims higher than budgeted	90

Other smaller changes	191
<b>Net controllable income and expenditure forecast variance as at end of Period 9</b>	<b>1,494</b>

#### 4.3 Other Housing Revenue Account Variances

4.3.1 There is a forecasted increase of £0.368m 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 December 2023, debts outstanding totalled £2.299m. This is a decrease of £0.512m on the September position of £2.811m.

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 December 2023 the rolling debtor days totalled 54.82 days. This is an increase on the 51.99 days reported at the end of September 2023.

5.4 The outstanding debts that range between 91-365 days old have increased from £343k as at the end of September 2023 to £632k at the end of December.

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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Date                                        15 January 2024

Appendices:

<b>A1</b>	<b>General Fund Revenue Budget Summary</b>
<b>A2</b>	<b>General Fund Reserves Summary</b>
<b>A3</b>	<b>General Fund Virements</b>
<b>B1-10</b>	<b>Variance analysis by Executive Director / Service Director</b>
<b>C1</b>	<b>HRA Budget Summary</b>
<b>C2</b>	<b>HRA Budget Summary by Executive Director / Service Director and Reserves</b>
<b>D1-4</b>	<b>Variance analysis by Executive Director / Service Director</b>
<b>D5</b>	<b>HRA Virements</b>
<b>E</b>	<b>Aged Debt for debts outstanding at the end of December 2023</b>
<b>F</b>	<b>Savings Tracker</b>