

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 4 JUNE 2024
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

REVENUE OUTTURN REPORT 2023-24

1 Executive Summary

- 1.1 This report presents the revenue outturn position 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 was a favourable variance on the General Fund net cost of services of £0.778m (see **Section 3** for further detail). A summary showing the General Fund position is contained in **Appendix A1**.
- 1.3 After additional earmarked reserve movements of £4.810m (see Appendix A2) and other variances of £4.634, this leaves a net favourable change of £0.601m in the General Fund Reserve.
- 1.4 The closing balance on the Housing Revenue Account is £2.952m, which is an adverse movement of £0.054m from the Current Budget (see **Section 4** for further detail).
- 1.5 Outstanding debts as at 31 March 2024 total £2.124m, with rolling debtor days at 56.84 (refer to **Section 5**).

2 Recommendation(s)

- 2.1 That Cabinet note the revenue outturn position for 2023/24.
- 2.2 That Cabinet approve the movements on earmarked reserves as detailed in section 3.4 of the report.
- 2.3 That delegated authority be given to the Section 151 Officer to adjust the 2024/25 budget for items of income and expenditure rolled forward through earmarked reserves.
- 2.4 The 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 outturn variances by Executive Director/Service Director, and the variance in each area against budget.

Outturn Position by Service 23/24			
Service	Budget 23/24 £'000	Outturn 23/24 £'000	Variance to Budget £'000
Finance and Transformation – Customer Service and Transformation	1,463	1,628	165
Finance and Transformation – Finance	5,674	5,049	(626)
Finance and Transformation – ICT and Digital	1,927	1,791	(136)
Finance and Transformation – Legal and Governance	2,829	2,735	(94)
Place – Regeneration and Economic Development	(3,050)	(3,366)	(316)
Place - Planning	784	1,496	712
Place – Leisure, Community and Cultural Services	3,014	2,990	(24)
Resident and Neighbourhood	8,903	8,545	(359)
Property Maintenance and Climate Change	(961)	(1,198)	(236)
Senior Leadership Team	433	404	(29)
Total	21,017	20,074	(943)

3.2.2 Explanations for all key outturn variances are included in the Executive Director/Service Director breakdowns **Appendices B1 to B10**. Key variances to highlight since the Quarter 3 monitoring are summarised below.

	£'000
Quarter 3 net controllable income and expenditure forecast variance	1,537
Net change in forecasts for vacancies and agency staff	(263)
Shortfall in income from Hackney Carriages	46
Income from postage higher than expected	(90)
Reduced income from crematorium due to lower demand than expected	(35)
Increased external audit costs due to increased testing on 20/21 housing benefit audits	129
ICT modernisation projects spend partly funded from reserves	62
Reduction in elections forecasted overspend due to grant applied	(25)
Training underspend; £40k to be moved to reserves	(44)
Increased parking income than predicted at Q3	(107)
Rental income pressures	100
Decrease in forecast overspend for planning legal and consultancy appeals	(31)
Reduction in planning fees and charges shortfall	(110)
Leisure contract management fee not budgeted for (corrected for 24/25)	(64)
Shortfall in Private landlord income due to landlords leaving the sector	(63)
Underspends on central budgets	(465)

Increase in forecast underspend on utilities due to reductions in energy costs	(466)
Savings on IT contract	(104)
UKSPF grant net expenditure, unspent grant to be rolled-forward into 24/25	(60)
Herts Economic Growth Fund Income to be released in this financial year	(105)
Increase in Campus West net income shortfall	78
Temporary Accommodation overspend, to be funded from reserve	134
Net income and expenditure from recycling	144
Tewin Road Depot NNDR bill lower than budgeted	(29)
Underspend for Stock Condition Survey	(39)
Property maintenance overspend due to increased one-off works required	66
Underspend on contract cleaning due to inflation changes	(21)
Grants to be moved to reserves	(1,200)
Other smaller changes	83
Net controllable income and expenditure outturn variance	(943)

3.2.3 **Appendix F** contains a savings tracker to measure agreed budgeted savings against forecasts. Most of the savings have been delivered, but there are three key items to note (please note that the savings/income stated relates to the budgeted additional savings/income, not the total annual budget):

- a) Crematorium (Red) – the budgeted saving of £25k has not been achieved due to delays in the crematorium opening caused by issues with utility access.
- b) Estates (Red) – only £39k out of the budgeted saving of £165k has been achieved. This is due to a number of different factors including increased interest rates, backlog of rent reviews from COVID, as well as some units being surrendered earlier than anticipated resulting in a short period of loss of rental income while the redevelopment takes place.
- c) Campus West (Red) – a review of budgets and fees and charges has been undertaken which have identified £40k of savings; however, only £14k of the budgeted saving has been achieved. A three-stage plan is in development for the short-term and long-term options around Campus West. The first stage due for implementation in 24/25 will be the review of opening hours and other aspects to mitigate the adverse variances being seen during 23/24.

3.3 Other General Fund Variances

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

3.3.2 Employer pension contributions rates have increased from 18.3% to 19.3%. This caused an additional pressure on budgets across all service areas, due to the change of apportionment between current and past service costs. A virement to reflect this has been processed during the year.

- 3.3.3 The council has undertaken less borrowing than expected due to the phasing of capital, and therefore interest payments linked to borrowing have been lower than anticipated. This has been closely monitored throughout the year due to the volatility of interest rates in the current financial and economic climate. Higher investment income has also been received due to higher interest rates than were expected, as well as a reduction in borrowing required resulting in the council having more cash available to invest.
- 3.3.4 Lower utilities costs than expected has resulted in a significant saving on utilities budgets; however there is ongoing uncertainty around utilities costs going forward.
- 3.3.5 A bad debts provision was processed in line with accounting standards; an increase in the provision of £618k was required. This is largely due to two unusually large civil penalty fine invoices totalling £550k raised by the Private Housing Team. Should debt be able to be recovered, this will be released back to revenue in future years.
- 3.4 Earmarked Reserves
- 3.4.1 A summary of General Fund reserves, including the proposed movements below, are shown in **Appendix A2**.
- 3.4.2 The following reserve movements / adjustments to movements are recommended, based upon actual expenditure incurred or income received. These are shown in **Appendix A2** as “Proposed Movements (a)”:
- 3.4.3 Strategic Initiatives Reserve – £55k will be drawn down from this reserve to fund spend on previously approved projects.
- 3.4.4 Business Rates Retention Reserve – The recommendation for this reserve is that it is matched to the surplus or deficit that has arisen on the collection fund, associated with business rates collection. The closing balance on this reserve on 31 March 2024 is £5.154m which will cover the councils share of the actual surplus or deficit on the business rates collection fund.
- 3.4.5 Pensions Reserve – The budgeted amount of £400k will be drawn down from this reserve to cover the pension increases transition, in line with the approved budget.
- 3.4.6 Transformation Reserve – Several different projects have been funded from this reserve during 2023/24, including costs associated with insourcing of ICT and moving systems to the cloud.
- 3.4.7 Grants and Contributions Reserve – The Council received a number of ringfenced grants during the year, which have not all yet been fully utilised. Those not used will be rolled forward into 2024/25. The Section 151 Officer has delegated responsibility to adjust budgets and ensure government guidance is adhered to when these budgets are spent.
- 3.4.8 Climate Change Reserve – Drawdowns totalling £42k will be undertaken for projects approved by the Climate Change member group, including grants for businesses to improve carbon reductions.
- 3.4.9 The following reserve movements / adjustments to movements are recommended, based upon the outturn position and available balances. These are shown in Appendix A2 as “Proposed Movements (b)”:

- 3.4.10 Transformation Reserve – It is recommended that the Transformation Reserve be topped up by £350k to support invest to save initiatives which are likely to be required when setting future budgets.
- 3.4.11 Commitments Reserve – It is recommended that the Commitments Reserve be topped up by £59k to fund future corporate projects, and by £40k to fund the new learning and development framework.
- 3.4.12 Local Plan Reserve – It is recommended that the Local Plan Reserve be topped up by £150k as there will be additional costs related to the local plan review.
- 3.4.13 Climate Change Reserve – It is recommended that the Climate Change Reserve be topped up by £50k. This reserve has been partly utilised and a top up is recommended.
- 3.4.14 Civic Buildings Reserve – It is recommended that the Civic Buildings Reserve be topped up by £60k. Funds were utilised from this contingency reserve for unforeseen property costs in 2022/23. The favourable variance this year provides the opportunity to top this reserve back up.

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 A summary of HRA virements is shown in Appendix D5.

4.3 Housing Revenue Account Variances:

4.3.1 The closing balance on the Housing Revenue Account is £2.952m, which is an adverse movement of £0.054m from the Current Budget. **Appendix C1** provides the HRA Income and Expenditure Statement with outturn variances. **Appendix C2** provides the same information, but in Executive Director/Service Director format, along with outturn balances for the Housing Revenue Account.

4.3.2 Explanations for all key outturn variances are included in the Executive Director/Service Director breakdowns **Appendices D1 to D4**.

4.3.3 The table below summarises the outturn variances by Executive Director/Service Director, and the variance in each area against the budget.

Outturn Position by Service 23/24			
Service	Budget 23/24 £'000	Outturn 23/24 £'000	Variance to Budget £'000
Executive Director – Finance and Transformation	(45,762)	(46,734)	(972)
Executive Director – Place	(5)	339	344
Service Director (Resident and Neighbourhood)	4,076	3,618	(458)

Service Director (Property Maintenance and Climate Change)	13,755	14,062	308
Corporate Items	27,694	28,526	831
Total	(242)	(188)	54

4.4 Other Housing Revenue Account Variances

4.4.1 There is an increase of £0.821m on the Revenue Contribution to Capital since Quarter 3. This has been adjusted due to the variances outlined in Appendix C, and to ensure the HRA maintains a minimum balance of around 5% of total income, as set out in in the Medium-Term Financial Strategy.

4.4.2 A new provision for housing disrepair cases has been processed of £0.264m. This is needed due to a large number of disrepair cases from previous years still being outstanding. The provision will be looked at on a quarterly basis and updated as necessary.

4.5 Earmarked Reserves

4.5.1 It is recommended that a new HRA earmarked reserve is set up. An initial top-up of £1,269k for the Stock Condition Survey and £183k for the HRA White Paper and other consultancy projects is proposed.

5 Outstanding Debts on Debtors System

5.1 At the end of March 2024, debts outstanding totalled £2.124m. This is a decrease of £175k on the December 2023 position of £2.299m

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 March 2024 the rolling debtor days totalled 56.84 days. This is an increase on the 54.82 days reported at the end of December 2023.

5.4 The outstanding debts that range between 91-365 days old have increased from £632k as at the end of December to £672k at the end of March.

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, deferrals and payment plans have been agreed and are being closely monitored.

5.6 The debtor 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 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 & 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.

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 resource 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
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<i>B2</i>	<i>Executive Director (Finance and Transformation) – Finance</i>
<i>B3</i>	<i>Executive Director (Finance and Transformation) – ICT and Digital</i>
<i>B4</i>	<i>Executive Director (Finance and Transformation) – Legal and Governance</i>
<i>B5</i>	<i>Executive Director (Place) – Regeneration and Economic Development</i>
<i>B6</i>	<i>Executive Director (Place) – Planning</i>
<i>B7</i>	<i>Executive Director (Place) – Leisure, Community and Cultural Services</i>
<i>B8</i>	<i>Service Director (Resident and Neighbourhood)</i>
<i>B9</i>	<i>Service Director (Property Maintenance and Climate Change)</i>
<i>B10</i>	<i>Senior Leadership Team</i>
C1	HRA Budget Summary
C2	HRA Budget Summary by Executive Director/Service Director and Reserves
D1-4	Variance analysis by Executive Director/Service Director
<i>D1</i>	<i>Executive Director (Finance and Transformation)</i>
<i>D2</i>	<i>Executive Director (Place)</i>
<i>D3</i>	<i>Executive Director (Resident and Neighbourhood)</i>
<i>D4</i>	<i>Executive Director (Property Maintenance and Climate Change)</i>
D5	HRA Virements
E	Aged Debt for debts outstanding at the end of March 2024
F	Savings Tracker