

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

QUARTER 1 REVENUE BUDGET MONITORING REPORT 2024-25

1 Executive Summary

- 1.1 This report presents the forecast revenue outturn position as at 30 June 2024 for the financial year 2024-25 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 controllable income and expenditure of £0.731m (see Section 3 for further detail). A summary showing the General Fund position is contained in **Appendix A1**.
- 1.3 This leaves a net contribution from the General Fund Reserve of £0.633m which is an increase in the planned use of balances by £0.625m (see **Appendix A2**).
- 1.4 The forecast closing balance on the Housing Revenue Account is £3.207m, which is an adverse movement of £0.069m from the Current Budget (see Section 4 for further detail).
- 1.5 Outstanding debts as at 30 June total £1.88m, with rolling debtor days at 55.67 (refer to Section 5).

2 Recommendation(s)

- 2.1 That Cabinet note the revenue forecast outturn position as at Quarter 1 (30 June 2024).
- 2.2 That Cabinet note the position on debts set out in Section 5 of this report.
- 2.3 That Cabinet approve the virements set out in Section 4.1.3 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 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 B13 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	31	106
b)	Variations associated with grant income	(701)	0
c)	Timing differences/profiling	(584)	54
d)	Variations with a year-end forecast	(1,807)	572
e)	Variations with no year-end forecast	(124)	0
f)	No year-to-date variance but forecast variance	0	0
	Total	(3,186)	731

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:

- Some items that were accrued for in 23/24 are yet to be paid resulting in a year-to-date underspend, however an overspend is expected at year end. These include legal and consultancy advice related to planning appeals and legal challenges.
- There is currently a large underspend year-to-date on the recycling contract of (£479k) as we are billed in arrears. A small overspend of £24k is expected at year end due to a minor difference in inflation than what was projected at the time the budget was set.

3.2.3 Explanations for all key year-to-date variances and forecast variances are included in the Executive Director breakdowns in **Appendices B1 to B13**. Key variances to highlight since the start of the year are summarised below.

	£'000
Net expenditure position for vacancies and agency staff	(1,004)
Crematorium income pressures	560
Housing benefit subsidy received lower than expected costs	1,196
Pension contribution to HCC higher than budgeted	51
Charges for the Direct.Gov contract not invoiced for previously	66
Saving expected on utilities spend due to reduction in energy prices	(545)
Temporary Accommodation overspend, to be funded from reserve	106
Increased legal and consultancy advice needed for planning	65
Increased rental income from leased properties expected	(73)
Newspaper recycling tonnage less than budgeted	85
Increased year end audit testing	34
Tender delays resulting in reduced income from environmental enforcement	30
Other small variances	161
Net controllable income and expenditure outturn variance	731

3.2.4 **Appendix F** contains a savings tracker to measure agreed budgeted savings against forecasts. Updates to whether savings are expected to be achieved will be reported in this section throughout the year.

- The saving for additional income generation at Oakhill Crematorium is not currently expected to be achieved based on income trends since the crematorium opened.

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 2024/25. 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 The pay award for 2024/25 is currently not reflected in the budget monitoring. An offer of an increase of £1,290 per employee has been made by the National Employers for pay points 2 to 43, and an offer of £2.5% on pay points above this and below deputy chief officer level. If this offer is accepted, it will result in an additional budget requirement of £29k over a provision that has been made for salary increases. Some areas of the Council will be more adversely impacted by the pay award than others, such as Campus West, Roman Bath House, Mill Green Museum, Procurement and Elections. It is worth noting that two out of the three unions have rejected this pay offer.

3.2.7 A forecast contribution from earmarked reserves has been included for expenditure covered by previously set aside grants and contributions of £106k. A virement will be processed during quarter two.

3.2.8 The council has received an additional £93k of new burdens funding. Work is underway to identify how much of this will be required to be utilised within services, and a virement will be completed during quarter two.

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 There have been no virements so far this year.

4.1.3 It is recommended that the following virements be approved:

- That £0.596m from the HRA interest costs budget be vired to offset the pension contribution of £0.596m.

4.2 Housing Revenue Account Variances:

4.2.1 The forecast closing balance on the Housing Revenue Account is £3.207m, which is an adverse movement of £0.069m 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 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. 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 D3 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	(3,962)	11
d)	Variations with a year-end forecast	(17)	(179)
e)	Variations with no year-end forecast	(2,699)	0

f)	No year-to-date variance but forecast variance	0	0
	Total	(6,678)	(168)

4.2.3 Explanations for all key year-to-date variances and forecast variances are included in the Executive Director / Service Director breakdowns **Appendices D1 to D3**. Key variances to highlight are summarised below:

	£'000
Lump sum pension contribution required as part of the triennial review - a virement is proposed in Section 4.1.3 to offset this cost	596
Expected increase in rental income throughout the year	(251)
Net expenditure position on vacancies and agency staff	(119)
Saving expected on utilities spend due to reduction in energy prices	(343)
Increased damp and mould cases causing additional costs	150
Increased council tax costs incurred due to voids	300
Increased disrepair cases	180
NNDR refund of backdated transitional premium expected for the Hive	(506)
Other small variances	(120)
Net controllable income and expenditure outturn variance	(111)

4.3 Other Housing Revenue Account Variances

4.3.1 There is a forecasted increase of £0.180m 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 June 2024, debts outstanding totalled £1.88m. This is a decrease of £0.24m on the March position of £2.12m.

5.2 Performance is measured using a rolling debtor day ratio. The current target is 40 days and at the end of June 2024 the rolling debtor days totalled 55.67 days. This is a decrease on the 56.84 days reported at the end of March 2024. As the target is a rolling target it is influenced by two large outstanding invoices. Without these two invoices, the debtor days would be 40.95 days.

5.3 The outstanding debts that range between 91-365 days old have increased from £672k as at the end of March 2024 to £679k at the end of June.

5.4 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.

- 5.5 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.
- 5.6 Detailed information on outstanding debts is sent to Executive 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
B1-13	Variance analysis by Executive Director
C1	HRA Budget Summary
C2	HRA Budget Summary by Executive Director and Reserves
D1-3	Variance analysis by Executive Director
D4	HRA Virements
E	Aged Debt for debts outstanding at the end of June 2024
F	Savings Tracker