

PROPOSED BUDGET AMENDMENTS FROM THE LIBERAL DEMOCRATS

The financial implications, risks and impact on council tax are set out within this report for each proposal. Should more than one proposal be approved, the financial implications and required changes to the budget pack will be combined.

***Proposed budget amendment 1:** As Verge Protection Orders (VPO) are rolled out, parking enforcement should be proactively extended to cover those areas. It is proposed that up to £25k is added to the parking enforcement budget for 2021/22 and this will be funded from the Strategic Initiative Reserve. Officers should bring a progress report on how VPO's are being enforced and how the additional budget is being utilised to a Cabinet Planning and Parking Panel (CPPP) meeting in October/November 2021.*

Section 151 Officer Comments regarding amendment 1

- As this fixed term proposal is funded from earmarked reserves, it would have no impact on Council Tax
- Should the full budget of £25k not be required, it will not be drawn down from earmarked reserves.
- Appendix A would be amended as follows:

Row	Item	Cabinet Proposed Budget	Amendment Proposed	Revised Proposals
Head of Environment	Parking Enforcement	£6.430m	£25k	£6.455m
Contribution (from) / to earmarked reserves	Strategic Initiative Reserve drawdown	(£65k)	(£25k)	(£90k)

Proposed budget amendment 2: *That a garage site disposals programme be established to transfer sites to the value of £4.5m per annum to the Housing Revenue Account for the next three years to:*

- *increase land supply for the provision of social housing (approximately 200 units);*
- *provide capital receipts to the General Fund; and,*
- *reduce borrowing costs associated with borrowing.*

That the reduction to borrowing costs be utilised to:

- *generate additional efficiencies for the council in the longer term; and,*
- *to fund a new role of Climate Change Officer. Their responsibility would include training other council officers in energy saving options and cross-cutting climate change initiatives.*

To utilise the strategic initiatives reserve to start the programme and repay most of the upfront investment by year four.

Section 151 Officer Comments regarding amendment 2

The council is in the process of establishing an asset strategy, which in turn will inform the basis of recommendations around a garage disposals programme. As this work has not yet been completed, the following financial implications are based on a series of high-level assumptions. As such, there is a level of risk built into the forecasts, and these are outlined in more information through this section.

Based on an average garage value of £18k per unit, the £4.5m disposals target would equate to around 250 garages, the equivalent of at least 10 sites per annum.

The team would need to design and agree criteria assess sites and agree a list of sites for consideration by the Housing team at the start of the financial year to ensure that suitable and viable sites could then be selected and transferred to deliver the proposals.

The council has appropriated five garage sites this financial year to the Housing Revenue Account (HRA). Each disposal requires an assessment, a valuation, the termination of tenancies, the set-up of new tenancies for any agreed transfers, legal processes and site management until transfer.

It may be possible to increase this to 10 disposals without material changes to the resource base, but given that the disposal process takes a number of months, in order to deliver more than 10 within 12 months, it is possible that more resources in General Fund would be required to speed up the disposal process. It is difficult to quantify the resource required at this stage as exact site numbers are unknown, therefore no additional resource is factored into 21/22 in order to deliver the project, however this will need to be monitored and reviewed after year 1.

A high-level summary of the financial impacts to the General Fund is as follows. The full financial impact of these implications would not be seen until 2024/25.

Although the medium-term financial strategy (MTFS) only runs until 2023/24, five years are shown to show the full ongoing impact to the general fund:

Item	21/22	22/23	23/24	24/25	25/26
Climate Change Officer*1	£50k	£52k	£54k	£56k	£58k
Income losses on disposals *2	£65k	£120k	£190k	£190k	£190k
Reduced borrowing costs *3	(£45k)	(£135k)	(£225k)	(£270k)	(£270k)
Management and maintenance *4	(£8k)	(£16k)	(£31.5k)	(£39k)	(£39k)
Total cost / (cost reduction)	£62k	£21k	(£12.5k)	(£63k)	(£61k)
Strategic Initiative Reserve (drawdown) / contribution to *5	(£62k)	(£21k)	£12.5k	£63k	0
Reduction to efficiency targets *6	0	0	0	0	(£61k)

*1 – An assumed starting cost of £50k per annum has been assumed including oncosts. Actual salary will dependant on job design and evaluation, and may lead to the costs being higher or lower than the assumptions made.

*2 – As an average of 250 garages will be lost per annum, income losses have been modelled on the basis of a starting position of 80% occupancy, rising to 83% occupancy by 2023/24 in line with current MTFS. Inflationary increases of 2% per annum have also been included in the calculations. Importantly, losses have been modelled on an assumption of 50% of tenants being able to be relocated to alternative garage sites. This could vary widely by site (likely to be between 20% to 60%) and will in reality be dependent on proximity of alternative sites, occupancy rates and tenant desire to relocate. Should relocation of tenants be at the lower end of this (20%), it would increase income losses by £114k, and this would therefore be an ongoing growth proposal of £53k per annum from year 5. Should relocation be at the higher end (60%) then it would reduce income losses by £38k and therefore increase savings to £99k. This is an important factor for consideration.

*3 –If the General Fund was able to receive £4.5m of capital receipt through the disposal of garages, the proposal indicates that this ought to be used to reduced borrowing costs. The value of reduced borrowing costs have been calculated using an average rate of 2%, and an even profile of disposals throughout each year. This means the full year impact of reductions to borrowing costs are not realised until the following financial year.

*4 – A reduction to management and maintenance has been assumed based on an direct apportionment of costs. There may be some small additional costs associated with the implementation of the larger changes in 2023/24, but this would need to be considered during that financial year. No assumptions have been included for increases in resources to increase speed of disposal, and this would need to be kept under review as will be dependent on the number of sites selected to meet the income targets.

*5 – The proposals make use of the Strategic Initiatives earmarked Reserve to provide the initial investment that would be required to fund the proposal. The proposal then seeks to reinvest savings in years three and four to replenish the reserve. The net impact on Earmarked Reserves over the four year period is a use of £7.5k.

*6 – Although the MTFs does not run to this year, the full year impact for year five has been included to show the ongoing efficiency that would be built into the base budget once there are no further movements to/from the Strategic Initiatives Earmarked Reserve in relation to the proposals.

In addition to the above assumptions, it is important to note that the disposals programme and climate change officer are not intrinsically linked. Therefore if it transpired it was not possible to achieve £4.5m in disposals per annum, that there may be an element of the role which would need to be funded through increases to the savings requirement.

In relation to the HRA, as outlined, sites would first need to be identified and assessed as viable schemes before transfer.

As part of the assessment, consideration would need to be given to the overall cost of development. Due to the uncertainties around which sites might be selected and the site criteria that will be used to select sites, it is not possible to determine what may be able to be developed and therefore it is not possible to determine budget requirements.

If this proposal is approved, once sites have been selected and assessed as viable, a report will need to be returned to Council to request a supplementary budget. However, dependant on the timing of this, it may be possible to fund initial works from the general affordable homes programme budget and incorporate longer term development costs into the 2022/23 budget.

These sites are generally more resource intensive to manage, and consideration would also need to be given to the resources within the team delivering the affordable homes programme. However, on the assumption that schemes selected and recommended are considered viable, these costs will be factored into the budgets presented for approval for the schemes.

Once determined, these costs and associated income would also need to be incorporated into the council's 30-year HRA business plan.

Should a site not be viable for disposal for development of affordable housing, it may still be viable for a market disposal. The value obtained would be the same for the site, but would require disposal on the open market and a competitive process. This process would be more resource intensive, likely requiring additional support and would also take longer.

There is also a budget for garage forecourt and roofing works within the capital programme. These works are for a rolling programme of safety and improvement works, and it is not anticipated the proposals would have a material impact on this programme in the medium term.

These budget proposals would change a number of items within the budget report, including minor adjustments to text within the covering report and MTFs (including reference to the disposal programme in our revenue strategies, financing strategies and reserve summaries). These details would be recommended to be delegated to the Section 151 Officer to update, but the key tables members would need to note and consider as part of these proposals are included in the following pages.

General Revenue Fund Amendments

- The following amendments would be incorporated into appendix A:

Row	Item	Cabinet Proposed Budget	Amendment Proposed	Revised Proposals
Head of Planning	Climate Change Officer	£1.817m	£50k	£1.867m
Head of Resources	Income losses on disposals	£1.323m	£65k	£1.380m
	Management and maintenance		(£8k)	
Borrowing Interest	Reduced borrowing costs	£420k	(£45k)	£375k
Contribution (from) / to earmarked reserves	Strategic Initiative Reserve drawdown	(£65k)	(£62k)	(£127k)

- Appendix A would then be as follows:

WELWYN HATFIELD BOROUGH COUNCIL

Appendix A

BUDGET MONITORING SUMMARY BY SERVICE AREA 2021/22

Description	Original Budget 2020/21	Forecast Outturn 2020/21	Original Budget 2021/22	Year On Year Change
	£ '000	£ '000	£ '000	£ '000
Head of Resources	2,210	4,657	1,380	(829)
Head of Environment	6,468	7,003	6,430	(39)
Head of Policy and Culture	1,568	3,205	1,352	(217)
Resources, Environment and Cultural Services	10,247	14,865	9,162	(1,085)
Head of Law and Administration	2,042	2,075	2,281	239
Head of Planning	1,829	1,855	1,867	38
Head of Public Health and Protection	1,165	1,183	1,114	(52)
Public Protection, Planning and Governance	5,036	5,113	5,262	225
Head of Community and Housing Strategy	2,199	2,367	2,217	18
Housing and Communities	2,199	2,367	2,217	18
Budgets of the Corporate Management Team	1,668	1,641	1,598	(70)
Net Controllable Income and Expenditure	19,150	23,986	18,238	(912)
Net Recharge to the Housing Revenue Account	(5,285)	(5,303)	(5,075)	209
Net General Fund Expenditure	13,865	18,683	13,163	(702)
Income from Council Tax	(10,855)	(10,855)	(11,312)	(457)
Business Rates Income	(4,908)	(4,908)	(3,812)	1,096
Plus/Less collection fund deficit/(surplus)	1,472	1,472	670	(802)
New Homes Bonus and other grants	(1,028)	(1,028)	(609)	419
Lower Tier Services Grant	0	0	(124)	(124)
Covid Support Grant	0	(2,030)	(610)	(610)
Other Operating Income and Expenditure				
Less Interest and Investment Income	(30)	(30)	(30)	0
Net interest income from Now Housing	0	0	(40)	(40)
Plus capital financing	1,131	1,131	949	(182)
Borrowing Interest	378	378	375	(3)
Revenue Contribution to Capital	0	25	0	0
Parish Precepts	1,701	1,701	1,787	86
Net Total before movements in reserves	1,727	4,540	407	(1,320)
Contribution (from) / to Covid Earmarked Reserves	0	(405)	610	610
Contribution (from) / to Earmarked Reserves	(80)	(1,607)	(127)	(47)
Contribution from General Balances to support collection fund deficit	0	0	(670)	(670)
Contribution (from) / to GF balances	(1,647)	(2,528)	(220)	1,427

Key of variance column = (Decrease in expenditure/increase in income), Increase in expenditure/reduction in income

Opening General Fund Balances	8,550	8,550	6,022
Use of General Fund Balances	(1,647)	(2,528)	(220)
Use of General Fund Balances for Collection Fund	0	0	(670)
Closing General Fund Balances	6,903	6,022	5,132

- Appendix B1 would be amended as follows:

Director and Head of Service Summaries - Budget 2021/22
Corporate Director (Resources, Environment and Cultural Services)

Appendix B1

Head of Resources

Description	Original Budget 2020/21 £ '000	Original Budget 2021/22 £ '000	Year On Year Change £ '000
Employees	3,823	3,284	(538)
Premises Related	1,867	1,785	(82)
Transport Related	39	38	(1)
Supplies and Services	1,140	1,148	8
Third Party Payments	4,982	4,947	(35)
Transfer Payments	28,323	28,323	0
Income	(37,965)	(38,145)	(181)
Controllable Costs	2,210	1,380	(829)

Analysis of Controllable Costs		£ '000
Original Budget 2020/21		2,210
Less Fixed Term Growth 2020/21:		
Voluntary First Registration		(75)
Condition Surveys		(100)
Efficiencies:		
Review of processes leading to reduction in admin		(15)
Increase in garage occupancy levels		(50)
Reduction to insurance premiums following retendering of the contract		(40)
General efficiencies made to property maintenance budgets		(35)
Reduction in printing costs arising for agile ways of working		(30)
Realign base budget to match actual rental income following rent reviews		(200)
Inflation and Other Changes:		
Adjustment to accounting treatment of pensions payment (HRA Share)		(385)
Net losses associated with garage disposals programme (income and maintenance)		57
Remove central salaries inflation contingency (built into services for 2021/220)		(100)
Salaries inflation and turnover		83
General inflationary increases (contracts, utilities etc)		81
Centralisation of Training Budgets		(20)
Original Budget 2021/22		1,380

- Appendix B5 would be amended as follows:

Director and Head of Service Summaries - Budget 2021/22
Corporate Director (Public Protection, Planning and Governance)

Appendix B5

Head of Planning

Description	Original Budget 2020/21 £ '000	Original Budget 2021/22 £ '000	Year On Year Change £ '000
Employees	1,919	1,918	(1)
Premises Related	85	86	0
Transport Related	14	14	0
Supplies and Services	349	349	(0)
Third Party Payments	446	457	12
Transfer Payments	0	0	0
Income	(983)	(956)	27
Controllable Costs	1,829	1,867	38

Analysis of Controllable Costs	£ '000
Original Budget 2020/21	1,829
Growth:	
Climate Change Officer	50
Efficiencies:	
Review of pre-planning fees	(20)
Service review	(35)
Inflation and Other Changes:	
Salaries inflation and turnover	4
Capital Salaries	47
General inflationary increases (contracts, utilities etc)	12
Centralisation of Training Budgets	(20)
Original Budget 2021/22	1,867

- Appendix D would be amended to reflect fixed term growth of £62k in relation to these proposals.

Housing Revenue Account Amendments

- The proposals would not immediately impact on the HRA budget. Any amendments required would be based upon selected viable schemes and would need to be returned for decision at a later date.

Capital Programme Amendments

- The proposals would not immediately impact on the capital programme budget. It has been assumed the proposals would not slow down existing programmes on garage improvements. Any amendments required to the affordable homes programme would be based upon selected viable schemes and would need to be returned for decision at a later date.
- The capital financing would need to be amended to reflect lower borrowing, therefore appendix J would be amended to:

Capital Financing Summary

Appendix J

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
GENERAL FUND						
Expenditure (excluding Service Loans)	23,361	32,352	18,355	39,347	15,076	7,042
Capital Receipts and Reserves	(4,535)	(1,705)	(1,160)	(789)	(871)	(793)
Capital Grants and Contributions	(14,416)	(6,392)	(592)	(592)	(592)	(592)
Revenue Contribution to Capital	(30)	0	0	0	0	0
Borrowing Requirement for Before MRP and loans	4,380	24,255	16,603	37,966	13,613	5,657
Minimum Revenue Provision	(875)	(794)	(944)	(1,163)	(1,184)	(1,202)
Appropriation from GF to HRA	(3,155)	(4,500)	(4,500)	(4,500)		
Net Change in Borrowing Requirement for Year (inc loans)	350	18,961	11,159	32,303	12,429	4,455
Cumulative Borrowing Requirement (exc loans)	38,717	46,129	41,370	35,707	34,523	33,321
Cumulative Borrowing Requirement (inc loans)	41,154	60,114	71,273	103,576	116,005	120,460
Capital Reserves and Grants Balance at year end	9,168	6,573	5,523	4,844	4,083	3,400
HOUSING REVENUE ACCOUNT						
Total Expenditure	42,449	39,526	32,801	19,818	15,988	15,692
Loan Repayment	20,000	21,400	22,700	24,200	25,800	27,500
Capital Receipts and Reserves	(18,940)	(16,558)	(16,787)	(17,055)	(14,405)	(14,192)
Restricted 141 Capital Receipts	(7,998)	(8,640)	(6,593)	(2,763)	(1,583)	(1,500)
Capital Grants and Contributions	(646)	0	0	0	0	0
Revenue Contribution to Capital	(7,224)	(6,840)	(6,692)	(7,079)	(8,649)	(8,110)
Appropriation from GF to HRA	3,155	4,500	4,500	4,500		
Borrowing Requirement for Year	30,796	33,389	29,929	21,621	17,152	19,390
Cumulative Borrowing Requirement at year end	248,768	260,756	267,986	265,406	256,758	248,648
Capital Reserves and Grants Balance at year end	9,932	5,691	3,658	5,503	11,260	16,880

Medium Term Financial Strategy

- Table 2.2a would be amended as follows:

	2021/22 Budget £'000	2022/23 Forecast £'000	2023/24 Forecast £'000
Cost Of Services			
Employees	13,775	14,157	14,509
Premises	3,426	3,487	3,549
Supplies and Services	4,973	4,879	4,978
Transport	95	98	97
Third Party Payments	13,815	14,091	14,373
Transfer Payments	28,323	28,323	28,323
Income	(46,195)	(46,529)	(46,858)
Net Recharge to HRA	(5,156)	(5,259)	(5,364)
Net Cost of Services	13,056	13,244	13,607
Impact of previous savings			(1,677)
Revised Net Cost of Services	13,056	13,244	11,930
Other Income and Expenditure			
Income from Council Tax	(11,269)	(11,551)	(11,839)
Business Rates Retention	(3,812)	(3,000)	(3,060)
Collection Fund (Surplus)/Deficit	670	670	670
New Homes Bonus Grant	(609)	(156)	0
Lower Tier Services Grant	(124)	0	0
Covid-19 Support Grant	(610)	0	0
Interest Income (inc. Now Housing Interest)	(70)	(157)	(240)
Capital Financing (Leases, contributions to capital, interest, minimum revenue provision)	1,369	1,586	1,983
Parish Precepts	1,744	1,788	1,832
Contributions from Earmarked Reserves	(65)	(77)	(36)
Contribution to Covid-19 Reserve	610	0	0
Planned use of Working Balances (collection fund)	(670)	(670)	(670)
Total Other Income and Expenditure	(12,836)	(11,567)	(11,360)
Budget Gap (Single Year)	220	1,677	570
Budget Gap (Cumulative)	220	1,897	2,247

Table 3.2.7 showing the council's capital financing requirements, would be amended as follows:

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'m	£'m	£'m	£'m	£'m
General Fund	46.129	41.370	35.707	34.523	33.321
Loans to Now Housing (GRF)	13.985	29.903	67.869	81.482	87.139
Housing Revenue Account	260.756	267.986	265.406	256.758	248.648
Total	320.870	339.259	368.982	372.763	369.108

Table F2.1 would be amended as follows:

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
General Fund CFR	37.647	38.659	46.129	41.370	35.707
Loans Requirement (Now Housing)	0.000	2.495	14.043	29.961	67.927
HRA CFR	241.127	248.768	260.756	267.986	265.406
Total CFR	278.774	289.921	320.871	339.259	368.982
Less: Other debt liabilities	(2.338)	(2.320)	(2.302)	(2.284)	(2.266)
Loans CFR	276.436	287.601	318.569	336.975	366.716
Less: Existing borrowing	(242.899)	(223.399)	(201.999)	(179.299)	(155.099)
Internal/(over) borrowing	33.537	64.202	116.570	157.676	211.617
Less: Usable reserves	(45.125)	(34.173)	(24.405)	(18.490)	(19.722)
Less: Working capital	(7.649)	(6.200)	(4.200)	(2.200)	(0.200)
New Borrowing (cumulative)	0.000	(29.525)	(79.484)	(109.832)	(123.818)
New Borrowing (cumulative - Now Housing)	0.000	(2.495)	(14.043)	(29.961)	(67.927)
Investments	(19.237)	(10.000)	(10.000)	(10.000)	(10.000)

Both the operational and authorised borrowing boundaries would not require amendment, unless the sites were disposed of on the open market.