

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

QUARTER 3 REVENUE BUDGET MONITORING REPORT 2022-23

1 Executive Summary

- 1.1 This report presents the forecast revenue outturn position as at 31 December 2022 for the financial year 2022-23 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 £1.711m (see Section 3 for further detail). A summary showing the General Fund position is contained in **Appendix A1**.
- 1.3 After additional reserve drawdowns of £0.732m (see **Appendix A2**) this leaves a net additional drawdown from the General Fund Reserve of £1.200m.
- 1.4 The forecast closing balance on the Housing Revenue Account is £2.760m, which is a favourable movement of £0.054m from the Current Budget (see Section 4 for further detail).
- 1.5 Outstanding debts as at 31 December total £2.723m, with rolling debtor days at 39.62 (refer to Section 5).

2 Recommendation(s)

- 2.1 That Cabinet note the revenue forecast outturn position as at Quarter 3 (31 December 2022).
- 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 and Virements

- 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 between services 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 by Assistant 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 B1 to B8 are marked a, b, c, d or e for cross referencing to the table below.

Service	Year to Date Variance					Forecast Outturn Variance	
	(a) To be offset by contributions from reserves £'000	(b) To be offset by grants received £'000	(c) Timing Differences £'000	(d) Variance with year end forecast £'000	(e) Variance but no year end forecast £'000	Total £'000	Total £'000
Finance and Transformation - Customer Service and Transformation	0	0	(73)	(17)	5	(85)	(40)
Finance and Transformation - Finance	0	(2,427)	6,857	368	0	4,798	87
Finance and Transformation - ICT and Digital	0	0	(70)	8	0	(62)	17
Finance and Transformation - Legal and Governance	0	0	0	23	0	23	147
Place - Regeneration and Economic Development	0	0	(977)	(188)	0	(1,165)	(308)
Place - Planning	0	0	0	210	(1,942)	(1,732)	131
Place - Leisure, Community and Cultural Services	0	(115)	(17)	1,002	2	872	1,606
Resident and Neighbourhood	(122)	0	(151)	124	(47)	(196)	(243)
Property Maintenance and Climate Change	0	0	(23)	119	(19)	77	418
Chief Executive and PA's	40	0	0	77	(1)	116	(104)
Total	(82)	(2,542)	5,547	1,726	(2,002)	2,646	1,711

3.2.2 Explanations for all key year to date variances and forecast variances are included in the Assistant Director / Service Director breakdowns **Appendices B1 to B10**. Key forecast variances to highlight from the Quarter 2 position are summarised below:

	£'000
Quarter 2 net controllable income and expenditure forecast variance	1,861
Underspend from vacancies offset by agency costs	(34)
Restructure savings	(104)
Savings on the customer services contract	(80)
Net parking income	(133)
Income shortfall at Campus West	218

Housing Benefit payments due to increase in unsubsidised expenditure due to a higher level of supported housing	256
Increasing utilities costs	425
Net recycling income and expenditure	(227)
Projects funded from reserves	(420)
Other smaller changes	(51)
Net controllable income and expenditure forecast variance as at end of Quarter 3	1,711

3.2.3 **Appendix F** contains a savings tracker to measure agreed budgeted savings against forecasts. Key items to note are listed below (please note that the savings/income stated relates to the budgeted additional savings/income, not the total annual budget):

- Decarbonisation projects (Red) – budgeted savings of £80k are unlikely to be achieved during 2022/23 due to the increasing costs of utilities putting pressure on service budgets.
- Crematorium (Red) – the budgeted income of £60k will not be achieved in year. The project has been delayed so this income will not be achieved until 2023/24 when the crematorium becomes operational. The delays are due to a lorry transporting materials needed for the project overturning, resulting in those materials needing to be manufactured again offsite.
- Garden Waste (Amber) – the full budgeted additional income of £40k is unlikely to be fully achieved during 2022/23, with a variance of around £15k anticipated. Demand for the service is slightly lower than expected and is unlikely to increase for the remainder of the year.
- ANPR Income (Amber) – there have been delays to implementation of the automatic numberplate recognition scheme due to problems with supply of the vehicles and static cameras, and therefore the full budgeted saving of £70k may not be achieved in year.

3.3 Other General Fund Variances

3.3.1 Increases in costs of living are expected to continue to impact on collection rates, council tax support and business rates reliefs provided during 2022/23. 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.

3.3.2 Discussions relating to a pay agreement between the local government unions and the National Employers have now concluded. An increase of £1,925 per employee per annum for all pay grades was agreed. This was paid to all employees in December's payroll and has had a significant impact on the salaries budgets as it equates to an average of a 6% increase (the budgeted pay increase was only 2.5%).

3.3.3 The council has undertaken less borrowing than expected due to the phasing of capital, and therefore interest payments linked to borrowing are forecasted to be less. It should be noted that interest rates have sharply risen, so will need to be closely monitored. Higher investment income is also expected due to both higher

interest rates at the start of the year, as well as a reduction in borrowing required resulting in the council having more cash available to invest.

- 3.3.4 Higher utilities costs than expected or budgeted for is resulting in an additional pressure on budgets, and there is ongoing uncertainty around utilities forecasts.

4 Housing Revenue Account

4.1 Housing Revenue Account Balances and Virements

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

Housing Revenue Account Variances:

- 4.1.2 The forecast closing balance on the Housing Revenue Account is £2.760m, which is a favourable movement of £0.054m from the Current Budget. **Appendix C1** provides the HRA Income and Expenditure Statement with forecast variances. **Appendix C2** provides the same information, but in Assistant Director / Service Director format, along with forecast balances for the Housing Revenue Account.
- 4.1.3 Explanations for all key year to date variances and forecast variances are included in the Assistant Director / Service Director breakdowns **Appendices D1 to D4**. Key forecast variances to highlight from the Quarter 2 position are summarised below:

	£'000
Quarter 2 net controllable income and expenditure forecast variance	2,759
Other	1
Net controllable income and expenditure forecast variance as at end of Quarter 2	2,760

- 4.1.4 The table below summarises the year-to-date variances and forecast variances by Assistant 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, b, c, d or e for cross referencing to the table below.

Service	Year to Date Variance						Forecast Outturn Variance
	(a) To be offset by contributions from reserves £'000	(b) To be offset by grants received £'000	(c) Timing Differences £'000	(d) Variance with year end forecast £'000	(e) Variance but no year end forecast	Total £'000	Total £'000
HRA - Finance and Transformation	0	0	200	(1,299)	(30)	(1,128)	(941)
HRA - Place	0	0	(24)	(59)	(23)	(107)	(41)
HRA - Resident and Neighbourhood	0	0	0	(334)	(50)	(384)	104
HRA - Property Maintenance and Climate Change	0	0	0	1,290	32	1,322	1,549
Total	0	0	176	(402)	(71)	(297)	671

4.2 Other Housing Revenue Account Variances

4.2.1 There is a forecasted decrease of £0.552k in the Revenue Contribution to Capital. This is adjusted each month, if required, based on 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 2022, debts outstanding totalled £2.723m.

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 The garages debt which is still on Business World, namely former tenant arrears and quarterly billed garages, continues to be included in the debt figures for this report.

5.4 Performance is measured using a rolling debtor day ratio. The current target is 40 days and at the end of December 2022 the rolling debtor days totalled 39.62 days. This is an increase on the 38.51 days reported at the end of September 2022.

5.5 The outstanding debts that range between 91-365 days old total £243k at the end of December.

- 5.6 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.
- 5.7 There has been a marked improvement in the payment of commercial rental income since COVID restrictions have lifted, as demonstrated by the general reduction in debtor days each month.
- 5.8 The debtors system does not include debts for housing rents, most garage debt, council tax and business rates. **Appendix E** analyses the outstanding debt by age and across services.
- 5.9 Detailed information on outstanding debts is sent to Assistant 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.

Name of author *Helen O’Keeffe*
Title *Assistant Director (Finance)*
Date 10 January 2023

Appendices:

A1	General Fund Revenue Budget Summary
A2	General Fund Reserves Summary
B1-10	Variance analysis by Assistant Director / Service Director
<i>B1</i>	<i>Executive Director (Finance and Transformation) - Customer Service and Transformation</i>
<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 – Chief Executive and PA’s</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>Service Director (Resident and Neighbourhood)</i>
<i>D4</i>	<i>Service Director (Property Maintenance and Climate Change)</i>
E	Aged Debt for debts outstanding at the end of December 2022
F	Savings Tracker