

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 11 JULY 2023
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

REVENUE OUTTURN REPORT 2022-23

1 Executive Summary

- 1.1 This report presents the revenue outturn position 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 was an adverse variance on the General Fund net cost of services of £1.82m (see **Section 3** for further detail). A summary showing the General Fund position is contained in **Appendix A1**.
- 1.3 After additional earmarked reserve drawdowns of £1.152m (see Appendix A2) and other variances of £0.104m, this leaves a net favourable change in the General Fund Reserve of £0.178m.
- 1.4 The closing balance on the Housing Revenue Account is £2.764m, which is an adverse movement of £0.043m from the Current Budget (see **Section 4** for further detail).
- 1.5 Outstanding debts at 31 March 2023 total £3.401m, with rolling debtor days at 42.72 (refer to **Section 5**).

2 Recommendation(s)

- 2.1 That Cabinet note the revenue outturn position for 2022/23.
- 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 2023/24 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**.

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 22/23			
Service	Budget 22/23 £'000	Outturn 22/23 £'000	Variance to Budget £'000
Finance and Transformation – Customer Service and Transformation	1,728	1,681	(47)
Finance and Transformation – Finance	4,597	4,895	298
Finance and Transformation – ICT and Digital	1,902	2,124	221
Finance and Transformation – Legal and Governance	2,411	2,551	140
Place – Regeneration and Economic Development	(2,392)	(2,927)	(535)
Place - Planning	921	1,549	627
Place – Leisure, Community and Cultural Services	2,297	3,230	933
Resident and Neighbourhood	8,379	7,822	(557)
Property Maintenance and Climate Change	(657)	83	740
Senior Leadership Team	927	928	1
Total	20,114	21,934	1,820

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	1,711
Net impact of delays to opening of crematorium	(82)
Increase in printing costs linked to inflation	51
Increased expenditure on Housing Benefit payments to residents	119
Additional costs at end of Sopra Steria contract including higher inflation	134
Income from Magistrates fines higher than expected	(136)
Increased early retirement costs payable due to restructure	149
ICT transformation projects	199
Increase in net parking income	(51)
Underspend from vacancies offset by agency costs	229
Net underspend on NNDR payments	(214)
Planning income expected lower than previously forecast	128
Increased legal and consultancy costs for public enquiries and judicial reviews	185
Net Homelessness income and expenditure	(10)

Less grounds maintenance income received than expected	167
Utilities costs	(206)
Domestic refuse costs lower than expected	(51)
Increase in net recycling income	(246)
Unspent COVID-19 funding	(67)
Shortfall in income from garages	110
Maintenance spend higher than budgeted	205
Reduction in income shortfall at Campus West	(241)
Balance of UK Shared Prosperity Fund to be transferred to reserves	(43)
Surrender of Digswell Nursery Lease	(165)
Other smaller changes	(55)
Net controllable income and expenditure variance as at outturn	1,820

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

- a) Decarbonisation projects (Red) – budgeted savings of £80k have not been achieved during 2022/23 due to the increasing costs of utilities putting pressure on service budgets.
- b) Crematorium (Red) – the budgeted income of £60k has not been 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.
- c) Terraquest (Red) – Terraquest is a Planning system which is no longer being used by the Council. However, the budgeted saving of £77k from stopping the use of Terraquest has not been delivered as expected.
- d) ANPR Income (Red) – 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 has not been achieved in year.

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 2022/23. 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 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 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 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 has resulted in a significant additional pressure on budgets, and there is ongoing uncertainty around utilities costs going forward.
- 3.3.5 The outturn includes a drawdown of £418k from the Transformation reserve for approved transformation projects such as revenues and benefits transformation, software solutions, and integrations. A drawdown of £485k from the Grants and Contributions reserve for Community Vaccine work related to COVID-19 is also included.
- 3.3.6 A bad debts provision was processed in line with accounting standards, leading to a favourable variance of £30k. 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 – Several different projects were to be funded from this reserve during 2022/23. £56k was drawn down from the reserve throughout the year to fund 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 2023 is £4.757m which will cover the councils share of the actual surplus or deficit on the business rates collection fund.
- 3.4.5 Transformation Reserve – Several different projects were to be funded from this reserve during 2022/23. It is recommended the movement be amended by £418k and that delegation be given to the Section 151 Officer to adjust the 2023/24 budget as required for the completion of these reserve funded projects.
- 3.4.6 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 2023/24. The largest movement in the year was £485k drawn down from the Community Vaccine Champions Grant to fund relevant expenditure. It is recommended that delegation be given to the Section 151 Officer

to adjust the 2023/24 budget as required for spending of these grant receipts in line with government guidance.

- 3.4.7 COVID-19 Pandemic Reserve – This reserve was set up in 2019/20 to support with the costs of the pandemic. Additional grant of £250k was added to this reserve during the year, and a drawdown of the full amount has been done to cover income losses at Campus West caused by the ongoing impacts of the pandemic. The balance on this reserve has now been fully spent.
- 3.4.8 Civic Buildings Reserve – A drawdown of £81k has been made to fund de-carbonisation works at three key sites.
- 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 Commitments Reserve – It is recommended that the Commitments Reserve be topped up by £25k to fund replacing the microphones in the Council Chamber, and by £42k to fund corporate training.

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 There have been no officer approved virements between Executive Director/Service Director areas since the approved budget, and no recommended virements for Cabinet to consider for the Housing Revenue Account.

4.3 Housing Revenue Account Variances:

- 4.3.1 The closing balance on the Housing Revenue Account is £2.764m, which is an adverse movement of £0.043m 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 22/23			
Service	Budget 22/23 £'000	Outturn 22/23 £'000	Variance to Budget £'000
Executive Director – Finance and Transformation	(42,028)	(43,757)	(1,729)

Executive Director – Place	(196)	(66)	130
Service Director (Resident and Neighbourhood)	3,062	3,355	293
Service Director (Property Maintenance and Climate Change)	10,812	13,690	2,878
Corporate Items	28,196	26,667	(1,528)
Total	(154)	(111)	43

4.4 Other Housing Revenue Account Variances

4.4.1 There is a decrease of £0.275m on the Revenue Contribution to Capital since Quarter 3. This has been adjusted due to the variances outlined in Appendix C, particularly the increase in depreciation, 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.

5 Outstanding Debts on Debtors System

5.1 At the end of March 2023, debts outstanding totalled £3.401m. This is an increase of £678k on the December 2022 position of £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 Garages debt 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 March 2023 the rolling debtor days totalled 42.72 days. This is a increase on the 39.62 days reported at the end of December 2022.

5.5 The outstanding debts that range between 91-365 days old have decreased from £243k as at the end of December to £111k at the end of March.

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

5.7 The debtor 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.

5.8 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 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.

Name of author
Title
Date

Helen O'Keeffe
Assistant Director (Finance and Transformation)
22 June 2023

Appendices:

A1	General Fund Revenue Budget Summary
A2	General Fund Reserves Summary
A3	General Fund – Virement summary by Executive Director/Service Director
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>
E	Aged Debt for debts outstanding at the end of March 2023
F	Savings Tracker