

WELWYN HATFIELD BOROUGH COUNCIL  
CABINET – 8 AUGUST 2023  
REPORT OF THE CHIEF EXECUTIVE

**QUARTER 1 REVENUE BUDGET MONITORING REPORT 2023-24**

**1 Executive Summary**

- 1.1 This report presents the forecast revenue outturn position as at 30 June 2023 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 is a forecast adverse variance on the General Fund net cost of services of £0.945m (see Section 3 for further detail). A summary showing the General Fund position is contained in **Appendix A1**.
- 1.3 This leaves a net drawdown from the General Fund Reserve of £1.522m (see **Appendix A2**), which is an increase in the planned use of balances by £0.906m.
- 1.4 The forecast closing balance on the Housing Revenue Account is £2.982m, which is an adverse movement of £0.024m from the Current Budget (see Section 4 for further detail).
- 1.5 Outstanding debts as at 30 June total £2.269m, with rolling debtor days at 49.39 (refer to Section 5).

**2 Recommendation(s)**

- 2.1 That Cabinet note the revenue forecast outturn position as at Quarter 1 (30 June 2023).
- 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**

- 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 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 B10 are marked a to g, cross referencing to the table below.

<b>Table 1</b>	<b>Analysis of year-to-date variance compared to forecast</b>	<b>Year to Date Variance £'000</b>	<b>Forecast Variance £'000</b>
a)	Variances to be offset by earmarked reserve use	0	0
b)	Variances associated with grant income	(1,920)	0
c)	Timing differences / profiling	(277)	0
d)	Variances with a year-end forecast	(969)	919
e)	Variances with no year-end forecast	(718)	0
f)	No year to date variance but forecast variance	0	81
	<b>Total</b>	<b>(3,883)</b>	<b>1,000</b>

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:

- The external auditors have not yet billed for 2022/23 work, and 2023/24 quarter 1 work, so the year-to-date variance is an underspend of (£146k) against a year-end forecast overspend of £22k (as shown in detail in appendix B2);
- Due to profiling of the commercial rent income, the year-to-date favourable variance is (£573k) against an adverse year-end forecast of £275k (as shown in appendix B5).
- Whilst a favourable variance is anticipated on the waste contract, the forecast is out of sync with the run rate due to timing differences in contract payments and budget profiling.

3.2.3 Explanations for all key year-to-date variances and forecast variances are included in the Executive Director / Service Director breakdowns in **Appendices B1 to B10**. Key variances to highlight in Quarter 1 are summarised below:

	<b>£'000</b>
Loss of income due to delay in crematorium opening	325
IT short term vacancies in new structure following in-sourcing	(268)
Shortfall in income due to reduction in planning fees received	367
Use of external legal and consultancy advice required for planning	250
Net of vacancies and agency staff	(670)
Net income and expenditure variance position at Campus West	365
Rental income expected to be lower than budgeted	275
Net recycling income and expenditure position	273
Waste contract inflation lower than budgeted Revenue	(450)
Income shortfalls in other chargeable areas	151
Other general costs higher than budgeted	80
Other changes	302
<b>Net controllable income and expenditure forecast variance as at end of Quarter 1</b>	<b>1,000</b>

3.2.4 **Appendix F** contains a savings tracker to measure agreed budgeted savings against forecasts. Most of the savings are currently anticipated to be delivered, but key items to note are listed below:

- Due to delays in the crematorium opening caused by issues with utility access, the budgeted saving of £25k will not be achieved.

#### 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 2023/24. 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 Employer pension contributions rates have increased from 18.3% to 19.3%. The council is moving away from a top up payment every three years to a baselining of the pension costs. The triennial valuation was not received in time to make appropriate adjustments to the detailed budgets, but the total cost over three years is the same as in the medium term financial strategy, but the timing and profile of earmarked reserve use will be different, once the relevant changes have been made.

3.2.7 A pay agreement has been reached nationally for senior management but discussions regarding the 2023/24 pay award for all other staff are still ongoing. Depending on the level of pay offer agreed, this could have a significant impact on the salaries budgets.

## **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 forecast closing balance on the Housing Revenue Account is £2.982m, which is an adverse movement of £0.024m 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 / Service Director format, along with forecast balances for the Housing Revenue Account.

4.3.2 The table below summarises the year-to-date variances and forecast variances by Executive 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 to g, cross referencing to the table below.

<b>Table 3</b>	<b>Analysis of year-to-date variance compared to forecast</b>	<b>Year to Date Variance £'000</b>	<b>Forecast Variance £'000</b>
a)	Variances to be offset by earmarked reserve use	0	0
b)	Variances associated with grant income	0	0
c)	Timing differences / profiling	(430)	0
d)	Variances with a year-end forecast	697	668
e)	Variances with no year-end forecast	(4,210)	0
f)	No year to date variance but forecast variance	0	0
	Revenue contribution to capital	(1,192)	(643)
	<b>Total</b>	<b>(5,135)</b>	<b>24</b>

4.3.3 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 couple of key reasons:

- The pension payment made in quarter 1 was evenly profiled in the budget. There will be a variance on this, but not as high as the run rate for the year-to-date variance
- There are additional costs associated with project delays at Minster House and One Town Centre. These are not expected to continue throughout the full year.

4.3.4 Explanations for all key year-to-date variances and forecast variances are included in the Executive Director / Service Director breakdowns **Appendices D1 to D4**. Key variances to highlight in Quarter 1 are summarised below:

	<b>£'000</b>
Net of vacancies and agency staff	(41)
Annual pension payment higher than budgeted	299
Reduced rental income due to delays in capital projects	200
Savings from closure of Independent Living Control Centre	(60)
Council tax liabilities on empty properties	250
Increased temporary accommodation costs caused by the cost of living crisis	100
Other smaller changes	(1)
<b>Net controllable income and expenditure forecast variance as at end of Quarter 1</b>	<b>747</b>

#### 4.4 Other Housing Revenue Account Variances

- 4.4.1 There is a forecasted decrease of £0.643m 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 the Medium-Term Financial Strategy.

### 5 Outstanding Debts on Debtors System

- 5.1 At the end of June 2023, debts outstanding totalled £2.269m. This is a decrease of £1.132m on the March position of £3.401m.
- 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 June 2023 the rolling debtor days totalled 49.39 days. This is an increase on the 42.72 days reported at the end of March 2023.
- 5.5 The outstanding debts that range between 91-365 days old have increased from £111k as at the end of March 2023 to £241k at the end of June.
- 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 The debtors system does not include debts for housing rents, 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 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 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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Date                                        18 July 2023

Appendices:

<b>A1</b>	<b>General Fund Revenue Budget Summary</b>
<b>A2</b>	<b>General Fund Reserves Summary</b>
<b>B1-10</b>	<b>Variance analysis by Executive Director / Service Director</b>
<b>C1</b>	<b>HRA Budget Summary</b>
<b>C2</b>	<b>HRA Budget Summary by Executive Director / Service Director and Reserves</b>
<b>D1-4</b>	<b>Variance analysis by Executive Director / Service Director</b>
<b>E</b>	<b>Aged Debt for debts outstanding at the end of June 2023</b>
<b>F</b>	<b>Savings Tracker</b>

