



AGENDA ITEM: 13

SUMMARY

Report for:	Cabinet
Date of meeting:	10 February 2015
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 3 2014/15
Contact:	Cllr Nicholas Tiley, Portfolio Holder for Finance and Resources James Deane, Corporate Director Finance and Operations Richard Baker, Group Manager Financial Services
Purpose of report:	To provide details of the projected outturn for 2014/15 as at Quarter 3 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	It is recommended that Cabinet: Note the budget monitoring position for each of the above accounts.
Corporate objectives:	Dacorum Delivers
Implications:	Financial and Value for Money implications are included within the body of the report.
Risk Implications	Risk implications are included within the body of the report.
Equalities	There are no equality implications.

Implications	
Health And Safety Implications	There are no health and safety implications.
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer No further comments to add.</p> <p>S.151 Officer This is a Section 151 Officer report.</p>
Glossary of acronyms and any other abbreviations used in this report:	<p>GF – General Fund HRA – Housing Revenue Account</p>

1. Introduction

1.1 The purpose of this report is to outline the Council's forecast outturn for 2014/15 as at 31 December 2014. The report covers the following budgets:

- General Fund
- Housing Revenue Account (HRA)
- Capital Programme

2. General Fund Revenue Account

2.1 The General Fund revenue account records the income and expenditure associated with all Council functions except management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA) (see Section 6).

2.2 Appendix A separates expenditure into controllable and non-controllable categories in order to focus scrutiny on those controllable areas that officers are able to influence.

2.3 The majority of non-controllable costs result from year-end accounting adjustments, e.g. depreciation charges. These are required to show the true value of resources used to provide the Council's services, but do not result in a cash charge to taxpayers. Support Service and Management recharges have been reviewed and amended where necessary to reflect key changes in costs.

2.4 The adjusted budget is the original budget approved by Cabinet in February 2014 plus the following approved amendments:

Amendments	£000	Approved
2014/15 Original budget	19,411	
Customer Services	95	Council September 2013
Community Sport Activation Fund	22	Council November 2013
Replacement Street Name Plates	40	Council February 2014
Graduate Development Programme	36	Cabinet April 2014
Apprentices	68	Audit Committee June 2014
EDRMS	90	Audit Committee June 2014
Dacorum Sports Trust	100	Council July 2014
Category Management	75	Council July 2014
Garage Strategy	100	Council September 2014
Grant Funded Agency Costs	120	Council September 2014
Pensions Backfunding	(1,018)	Council September 2014
Reserve Funded Staff Costs	(15)	Council September 2014
Redundancy Costs	32	Council September 2014
Waste Services Implementation	219	Council September 2014
Transformation Programme Management	85	Council January 2015
2014/15 Current Budget	19,460	

2.5 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

	Adjusted Budget £000	Projected Outturn £000	Variance	
			£000	%
Finance & Resources	11,746	11,772	26	0.2%
Strategic Planning & Environment	6,159	5,688	(471)	-7.6%
Housing & Community	1,555	1,568	13	0.2%
Total	19,460	19,028	(432)	-2.2%

2.6 The following sections provide an analysis of the projected outturn and major budget variances shown by Scrutiny area.

3. Finance and Resources

Finance & Resources	Controllable Budget £000	Projected Outturn £000	Variance	
			£000	%
Employees	10,159	10,207	47	0.5%
Premises	1,554	1,587	33	2.1%
Transport	36	43	7	19.4%
Supplies & Services	4,824	4,903	79	1.6%
Third-Parties	1,893	1,799	(94)	-5.0%
Income	(6,721)	(6,767)	(46)	0.7%
	11,746	11,772	26	0.2%

3.1 Employees - £47k over budget (0.5%)

Pressure of £47k - A pressure across services is projected linked to the vacancy provision. This target is set at 5% of direct salary costs for 2014/15. This position will continue to be monitored.

3.2 Supplies and Services - £79k over budget (1.6%)

Underspend of £25k - The ICT budget within Revenues Benefits and Fraud Management included a planned implementation of electronic housing benefit claim forms. Corporate focus on e-solutions to meet customer needs has evolved to subsume this initiative and the budget is no longer required.

Underspend of £20k - A provision raised in a previous year for a potential liability for legal costs within Revenues is no longer required, so will be released this financial year resulting in a credit to the service.

Pressure of £45k – The council has commissioned Liberata to carry out a review of empty properties with a view to bringing these back into use, which will attract New Homes Bonus. The review identified over 200 properties which were no longer empty and have been brought back into use.

Pressure of £50k - The budget for the core funding grant to Sportspace was based on a proposal to amend the funding agreement. This amendment to the funding agreement was not made causing a £50k pressure.

Pressure of £30k – There is a pressure on the ICT budget for the Customer Services Unit due to additional software requirements following service being outsourced to Northgate.

3.3 Third Parties £94k under budget (5.0%)

Underspend of £50k - This relates to savings on Internal Audit provision which were not factored in to the 2014/15.

Underspend of £44k - This relates to a refund on the Facilities Management contract from 2012/13 and 2013/14. Reactive works were not as high as anticipated in the original contract leading to a refund.

3.4 Income £46k under budget (1.0%)

Pressure of £70k - This relates to over budgeting of summons costs recoverable within Revenue and Benefits. This underachievement is a continuing trend from prior years and has been amended for the draft 2015/16 budget.

4. Strategic Planning and Environment

Strategic Planning and Environment	Controllable Budget £000	Projected Outturn £000	Forecast Variance	
			£000	%
Employees	8,326	8,268	(58)	-0.7%
Premises	1,182	1,214	32	2.7%
Transport	1,426	1,349	(77)	-5.4%
Supplies & Services	4,656	4,639	(17)	-0.4%
Third-Parties	153	153	0	0.0%
Income	(9,583)	(9,934)	(351)	-3.7%
	6,159	5,688	(471)	-7.6%

4.1 Employees - £58k under budget (0.7%)

Pressure of £52k - A pressure across services is projected linked to the vacancy provision. This target is set at 5% of direct salary costs for 2014/15. This position will continue to be monitored.

Underspend of £110k – The above pressure is offset by the projected savings in employee costs from reconfiguration of Waste Services. Following the introduction of the new co-mingled recycling service on 24th November 2014, these are the projected savings provided the anticipated productivity is achieved. This part-year saving is expected to result in a reduction in the base budget going forward, and is one of the key savings in the draft budget for 2015/16.

4.2 Premises - £32k over budget (2.7%)

Pressure of £30k – There is a pressure on the budget for maintenance of Cupid Green Depot following works to ensure Health and Safety standards are met.

4.3 Transport - £77k under budget (5.4%)

Underspend of £30k – Savings are anticipated in the budget for vehicle maintenance following the investment in a new fleet of Waste vehicles for the co-mingled Waste service.

Underspend of £40k – Savings are expected in the budgets for fuel due to efficiencies from the new waste service and a reduction in the price of fuel.

4.4 Income - £351k over budget (3.7%)

Surplus £200k - Car parking income is expected to be above budget, comprised of two main elements. Off-street car parking is forecast to achieve an additional £100k based on trend to date and historical data. On-street penalty charge notices are expected to be over budget by £75k at the end of the year based on the trend to date.

Surplus £170k - Development control income is projected to achieve a surplus due to some large one off applications, along with a general increase in applications.

Surplus £55k - The legal challenge to the adoption of the Local Development Framework Core Strategy has been defeated. This will result in the unbudgeted recovery of legal expenses.

Surplus £50k – There is unbudgeted income from Section 106 administration fees. This reflects an increase in developments in Dacorum as mentioned above.

Deficit of £120k – Recycling income is expected to be under budget following the introduction of the new co-mingled service. This is offset by savings identified above in Employee costs and Transport.

5 Housing and Community

Housing & Community	Controllable Budget £000	Projected Outturn £000	Forecast Variance	
			£000	%
Employees	3,213	3,265	52	1.6%
Premises	402	329	(74)	-18.3%
Transport	43	39	(4)	-9.3%
Supplies & Services	1,965	1,932	(34)	-1.7%
Third Parties	25	25	0	0.0%
Income	(4,094)	(4,022)	72	-1.7%
	1,555	1,568	13	0.8%

5.1 **Employees - £52k over budget (1.6%)**

Pressure of £52k - A pressure of £30k across services is projected linked to the vacancy provision. This target is set at 5% of direct salary costs for 2014/15. This position will continue to be monitored. In addition, a redundancy payment of £20k has been made in the CCTV service. Cabinet is asked to recommend to Council that this be funded from the Management of Change Reserve.

5.2 **Premises - £74k under budget (18.3%)**

Underspend of £60k – There is a saving of £60k in the Homelessness Service from utilising a number of council owned properties as temporary accommodation, rather than having to pay external rents.

5.3 **Supplies & Services - £34k under budget (1.7%)**

Pressure of £56k - There is a projected overspend on garages relating to spend on the options appraisal of garage sites.

Underspend of £60k – The above pressure is offset by a saving from a reduction in planned maintenance on garages.

Underspend of £20k - The cessation of the clinical commercial waste service has generated savings partly offsetting the loss in income.

5.4 **Income - £72k under budget (1.7%)**

Pressure of £30k – Garage rents have been lower than anticipated following a reorganisation of teams which was carried out earlier in the financial year.

Pressure of £35k - Clinical commercial waste collections have ceased during the first quarter of this year, resulting in a loss of income. This was part of a wider initiative to focus operations on higher revenue generating streams over the longer term within Environmental Health, in particular Pest Control where a charging policy has been implemented. Growth in this service is expected to yield significantly increased income over the coming years.

Surplus of £35k - The above pressure in Clinical waste is offset by an increase in income across Regulatory Services, most notably in Environmental Protection & Housing and Primary Authority work.

Pressure £50k - A grant budgeted within the homelessness service now forms parts of the local government settlement and is rolled into the Revenue Support Grant, so will cause a variance within service income.

6. **Housing Revenue Account (HRA)**

- 6.1 The HRA is a ring-fenced account relating to the Council's Landlord functions. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred. The forecast outturn position for the HRA is shown at Appendix B.

6.2 The projected HRA balance at the end of 2014/15 is £2.9m. The forecast operating surplus is £123k – a decrease of £115k compared to the surplus of £239k originally budgeted. Significant variances are as follows:

6.3 Dwelling Rents - £204k surplus (0.4%)

Surplus income has been generated due to a number of tenants moving to target rent when a new tenancy has started. In addition, the average rent loss for right to buy sales is lower than forecast when setting the budget.

6.4 Interest and Investment Income - £45k surplus (45%)

An increase in right to buy sales for the year means capital balances are higher than anticipated. These additional balances are forecast to generate additional investment income

6.5 Contribution towards expenditure - £154k surplus (33.5%)

Repairs carried out at leasehold properties (such as lifts and communal entry systems) are recharged to leaseholders on an arrears basis based on the actual amount spent. The surplus has arisen as the amount of income anticipated was under-budgeted.

6.6 Supervision and Management – £91k under budget (0.9%)

This is comprised of the following items:

- Underspend £210k – A one off pension back-funding payment was made in 2013/14 as part of the triennial review. This had originally been budgeted for payment in 2014/15.
- Underspend £80k - Generated from the implementation of energy efficiency projects such as the installation of solar panels at flats and LED lighting in communal areas.
- Underspend £40k - The number of voluntary moves due to the impact of the benefit welfare reforms have been lower than anticipated on the under occupation incentive scheme.
- Underspend £300k - Salaries are forecast to be underspent, £178k of which is due to vacancies within the service and £122k relates to the TUPE of staff to Osborne.
- Pressure £400k - Uninsured losses relating to insurance claims from tenants for damages to buildings, storm damage and water leaks. Historical data and the trend of overspends against this budget in previous years, suggest this is an underestimation of budget. This has been corrected for the draft 2015/16 budget.
- Pressure £90k – Support service recharges have been re-worked leading to an increase in the amount recharged for ICT support.

7. Capital Programme

7.1 Appendix C shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny area.

The 'Rephasing' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2015/16 rather than 2014/15, or conversely, where expenditure planned initially for 2015/16 will now be in 2014/15.

The 'Variance' column refers to those projects which are now complete, but have come in under or over budget and those projects which are no longer required.

	Adjusted Budget £000	Projected Outturn £000	Rephasing £000	Variance	
				£000	%
Finance & Resources	2,656	2,253	(401)	(2)	-0.1%
Strategic Planning & Environment	8,882	8,206	(231)	(445)	-5.0%
Housing & Community	5,681	5,952	159	112	2.0%
G F Total	17,219	16,411	(473)	(335)	-1.9%
HRA Total	35,050	24,721	(9,028)	(1,301)	-3.7%
Grand Total	52,269	41,132	(9,501)	(1,636)	-3.1%

7.2 General Fund Major Variances

As at Quarter 3 there is an overall projected underspend of £808k on the General Fund. This is a combination of forecast underspending of £335k and re-phasing into 2015/16 of £473k.

The projected net underspend of £335k is comprised of:

- Underspend £80k (line 118) – Budget on the Hemel Hempstead Gym Refurbishment was incorrectly slipped forward from 2013/14 after project completion.
- Underspend of £130k (line 123) – Spend is lower than forecast on Home Improvement Loans scheme due to take up being less than expected. The annual budgets for future years have been reduced from £250k to £150k to reflect a lower than anticipated demand going forward.
- Pressure £40k (line 129) – Budget allocation for the Verge Hardening Programme should have been slipped forward from 2013/14 to meet programmed works.

- Pressure £110k (line 130) - Old Town Hall refurbishment costs are higher than budgeted due to tendered prices, reflecting an upturn in the construction market since the budget was set. The works were also more complex than planned (the tunnelling for example cost £30k more than budgeted).
- Pressure of £181k (line 136) - The costs of the Elms Hostel development at Redbourne Road are higher than budgeted due to the tendered prices, reflecting an upturn in the construction market since the budget was set. Section 106 funding has been earmarked to offset this pressure.
- Underspend £176k (line 145) - This relates to two schemes in the Car Park Refurbishment Programme which could not be completed this year due to staff capacity. The schemes will still be undertaken but can be accommodated within the future budget allocations so the budget will not be slipped.
- Underspend £142k (line 154) – Spend is lower on Waste and Recycling Service Improvements as wheeled bins were procured more cheaply than expected.
- Underspend £112k (line 163) - The Neighbourhood Centre improvements are not being undertaken due to a change in Corporate Priorities since the project was approved into the Capital Programme. It will be requested that these GAF funds will be redirected to the Bus Interchange project.

The projected rephasing to future years includes:

- £100k slippage (line 69) on Planning software replacement. The project has changed to an incremental programme of upgrades rather than a one off large scale change to the existing system to prevent material impact on current service delivery. As a consequence the time period over which the monies are spend have been extended.
- £300k slippage (line 73) on the Public Service Quarter budget. It is expected that the development agreement will be signed imminently and that £1.2m of the £1.5m allocated budget will be spent this financial year.
- £48k slippage (line 92) on Incoming Mailroom scheme. There has been some re-scoping of the project to ensure that corporate objectives will be met following a change in personnel.
- £50k slippage (line 107) on new infrastructure at Kingshill Cemetery due to other projects taking priority. The budget will now be utilised in 2016/17 to fund improvement works to Heath Lane Cemetery walls.
- £100k slippage (line 130) on youth centre provision. Options for this project are still being considered, so work will not be undertaken during 2014/15.
- £32k slippage (line 146) on the multi-story car park at Berkhamsted. Options for the planning and design of the car park have been closely reviewed and the fees will now be incurred in 2015/16. The scheme continues to evolve but at this stage completion is expected to be within the overall budget allocation.

- £75k slippage (line 154) on Waste services improvements. Works to the Depot will be carried out next year following assessment of the impact of the reconfigured service.
- £280k slippage (line 161) on Maylands phase 1 improvements. There had been uncertainty over the project management arrangements, and with many projects taking place at one time, it was considered that these could be rolled up with one procurement across a wider range of projects including those for the Town Centre. As this did not happen, it delayed establishing these arrangements.
- £130k slippage (line 164) on Urban Park. Priority has been given to other projects and in particular the Water Gardens project, therefore this project has not been pushed forward in line with original timeframes.

These are off-set by pressures requiring funding to be drawn from the 2015/16 budget allocation:

- £100k pressure (line 79) on Enterprise Licence Agreements due to a change in licensing arrangements.
- £250k pressure (line 136) on the Elms Hostel due to the tender price being higher than budgeted.
- £296k pressure (line 156) relating to unbudgeted fleet purchases – the key requirement being five new caged tippers for the Clean Safe and Green service (£158k). The long term fleet requirements have been reviewed and have been incorporated into the draft Capital Programme.

7.3 Housing Revenue Account Major Variances

There is a projected underspend on the HRA capital programme of £1.3m.

- £331k underspend (line 188) on the New Build at Farm Place Berkhamsted where the tender price has been lower than budgeted.
- £970k underspend (line 193) relating to Strategic Acquisitions. The allocation for the transfer of the Point between the General Fund and HRA is no longer required as provision for this transaction will be made as an accounting adjustment through the financing section of the capital programme.

There is projected slippage of £9.03m into 2015/16 from the following:

- £2.4m of slippage (line 184) in Planned Fixed Expenditure. Work which was planned for this financial year at Longlands and on the Walkway/Balcony improvements project will now take place in 2015/16. These delays are due to the tender process for both projects being more

complex than anticipated, involving a number of clarification issues. There have also been delays as a result of the contractor requesting a 3 month mobilisation period before the works can actually commence.

- £2.69m of slippage (line 190) due to delays on the New Build scheme at London Road. Construction works have been delayed due to difficulties relocating the substation during the initial phase of the scheme. Works have now commenced and the contractor is on site.
- £3.94m of slippage (line 192) on the purchase of land for the new build site at Martindale. A deposit of 5% has been paid in this financial year to secure the purchase, but the balance is now expected to be paid in 2015/16 further to completion of an archaeological survey and the granting of planning permission.