



AGENDA ITEM:13

SUMMARY

Report for:	Cabinet
Date of meeting:	16 September 2014
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 1 2014/15
Contact:	Cllr Nicholas Tiley, Portfolio Holder for Finance and Resources James Deane, Assistant Director (Finance & Resources) Richard Baker, Group Manager (Finance and Resources)
Purpose of report:	To provide details of the projected outturn for 2014/15 as at Quarter 1 for the: <ul style="list-style-type: none"> · General Fund · Housing Revenue Account · Capital Programme <p>To provide details of the proposed transfers to and from earmarked reserves.</p>
Recommendations	It is recommended that Cabinet: <ol style="list-style-type: none"> 1. Consider the budget monitoring position for each of the above accounts; and, 2. Recommend to Council the supplementary budgets set out below. Details for these supplementary budgets are set out in the detail of the report and have a net nil impact on the General Fund Balance, the HRA Balance and the Useable Capital Receipts Balance: <p><u>General Fund Revenue Account</u></p> <ul style="list-style-type: none"> •Reduce use of Pensions Reserve by £745k •Reduce pensions back-funding budget by £745k •Increase Pensions Reserve by £273k •Reduce pensions budget by £273k •Reduce use of Management of Change Reserve by £15k

	<ul style="list-style-type: none"> •Reduce ICT salaries budget by £15k •Increase Revenues & Benefits agency staff by £120k •Increase Revenues & Benefits grant income by £120k •Increase use of Management of Change Reserve by £32k • Increase Regulatory Services redundancy budget by £32k •Increase Planning Income by £14k • Increase Planning Employee budget by £14k •Reduce General Fund Revenue Contribution to Capital by £219k •Increase Waste Services employees budget by £110k and supplies and services budget by £109k <p><u>Housing Revenue Account</u></p> <ul style="list-style-type: none"> •Reduce HRA revenue contribution to capital by £1m •Increase HRA repairs and maintenance budget by £1m <p><u>Capital Programme</u></p> <ul style="list-style-type: none"> •Reduce Waste & Recycling Service Improvements by £219k •Reduce General Fund financing from revenue contribution to capital by £219k •Reduce HRA Planned Fixed Expenditure by £1m •Reduce HRA financing from revenue contribution to capital by £1m
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 Implications	There are no equality 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>Deputy S.151 Officer This is a Section 151 Officer report.</p>

Consultees:	Budget Managers.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account

1. Introduction

1.1 The purpose of this report is to outline the Council's forecast outturn for 2014/15 as at 30th June 2014. The report covers the following budgets:

- General Fund
- Housing Revenue Account (HRA)
- Capital Programme
- Reserves and Balances

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. As costs will not be known until year-end, the forecast outturn for all areas is shown as on budget.

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	19,416	
Replacement Street Name Plates	40	Council February 2014
Dacorum Sports Trust	100	Cabinet April 2014
Apprentices	68	Audit Committee June 2014
EDRMS	90	Audit Committee June 2014
Category Management	75	Cabinet June 2014
2014/15 Adjusted Budget	19,789	

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	12,605	11,815	(790)	-6.3%
Housing & Communities	1,751	1,869	118	2.2%
Strategic Planning & Environment	5,433	5,621	188	3.5%
Total	19,789	19,305	(484)	-2.4%

2.6 The following sections provide a subjective 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	11,089	10,379	(710)	-6.4%
Premises	1,718	1,711	(8)	-0.4%
Transport	36	37	1	2.5%
Supplies & Services	4,552	4,502	(50)	-1.1%
Third-Parties	1,798	1,764	(35)	-1.9%
Income	(6,589)	(6,578)	11	-0.2%
	12,605	11,815	(790)	-6.3%

3.1 Employees - £710k under budget (6.4%)

Following the triennial actuarial review of the Council's pension scheme, in February 2014 Council approved a one-off deficit reduction payment of £745k for

inclusion in the 2014/15 General Fund budget. The payment was actually made earlier than anticipated, in 2013/14, which has resulted in an underspend against the 2014/15 budget. The payment was funded from reserves so there is no impact on the Council's overall financial position. Cabinet is asked to recommend to Council that a reduction in the budgeted expenditure and the corresponding draw down from reserves be approved.

A further result of the actuarial review was that the employer's contribution rate for current employees would remain at 16%, which is below the 18% assumed rate within the budget for 2014/15. Cabinet is asked to recommend to Council the approval for the transfer of the resulting saving (£273k) to the Pensions Reserve.

There is a further underspend of £15k related to delays in the recruitment of a Business Analyst within the ICT department. This is a fixed term post funded by the Management of Change Reserve. Cabinet is asked to recommend to Council approval for the change in contribution required from the reserve – the balance being required in 2015/16.

The underspends referred to above are offset by the following pressures:

- £120k pressure within Revenues and Benefits for agency costs. Following a period of particularly high staff turnover there are currently 3 agency FTE (6 FTE earlier in the year) employed to support the processing of benefit claims. This is funded from New Burdens grant income so does not impact on the Council's wider financial position. Cabinet is asked to recommend to Council an increased agency budget and an offsetting grant income budget.
- £32k linked to a redundancy following a service review within Regulatory Services. Cabinet is asked to recommend to Council that this be funded from the Management of Change Reserve.
- £108k across a range of services arising from the vacancy provision – a provision set at 5% of direct salary costs for non-front line staff in 2014/15. This position will continue to be monitored, but, in line with last year's trend in natural staff turnover, outturn is expected to move closer to budget as the year progresses.

3.2 Supplies and Services - £50k under budget (1.1%)

The ICT budget within Revenues Benefits and Fraud Management was increased by £25k to fund the planned implementation of electronic housing benefit claim forms by an external contractor. Corporate focus on e-solutions to meet customer needs has evolved to subsume this project, and the budget is no longer required.

In addition, a provision to reflect a potential legal costs liability within Revenues will be released this financial year. This will result in a credit to the service of £20k.

3.3 Third Parties - £35k under budget (1.9%)

This relates primarily (£50k) to savings on Internal Audit which were not factored in to the 2014/15 budget following a change in service provider.

4. Strategic Planning and Environment

Strategic Planning and Environment	Controllable Budget £000	Projected Outturn £000	Forecast Variance	
			£000	%
Employees	8,112	8,190	78	1.0%
Premises	833	863	30	3.6%
Transport	1,426	1,415	(10)	-0.7%
Supplies & Services	4,270	4,404	134	3.1%
Third-Parties	189	189	0	0.0%
Income	(9,398)	(9,441)	(43)	-0.5%
	5,433	5,621	188	3.5%

4.1 Employees - £78k over budget (1%)

There is a pressure of £110k relating to the vacancy provision.

This is offset by the net employee savings (£42k) to be generated by the reconfiguration of Waste Services as follows:

- £107k saving from the proposed reduction in establishment of two FTE following the optimization of 'round' structure.
- £25k saving from the creation of staff pool (9 staff) to cover sickness and holidays, negating the need for agency staff.
- £20k saving from the closure of the MRF (3 FTE).
- £110k pressure for the cost of project implementation team salaries – revenue expenditure budgeted initially in capital. Cabinet is asked to recommend to Council that an increase in revenue budget for these one off costs be funded through reductions in revenue contributions to capital.

4.2 Transport – 10k under budget (0.7%)

There is a projected net saving of £13k arising from the reconfiguration of Waste Services as follows:

- £50k saving in fuel costs generated from the planned reduction in the number of rounds from 26 to 21 (£42k) and the closure of the MRF (£8k).
- £30k saving on vehicle hire costs – repairs and maintenance of fleet vehicles are expected to decline following the introduction of the new fleet vehicles (thus the requirement to hire additional 'cover' vehicles is also expected to decline).
- £67K pressure expected to arise for the haulage of co-mingled material to the re-processing plant. This is based on an estimated volume of 5,600 tonnes following implementation costing £12 per tonne.

4.3 Supplies and Services – 134k over budget (3.1%)

The new Waste Service is in the process of being promoted to residents to facilitate the success of the project and increased recycling levels. The estimated costs of marketing (£45k) includes materials, leaflet distribution and roadshows.

Compostable liners for the new replacement bins will be delivered to residents for the implementation of co-mingled waste collection (£64k).

These costs were initially included within the capital budget and have been transferred to revenue. Cabinet is asked to recommend to Council that approval be given to increase the revenue budget to meet these one off pressures (£109k) funded by a reduction in revenue contribution to capital.

There will be a small saving of £10k arising from a reduction on equipment related expenditure following the closure of the MRF.

4.4 Income - £43k over budget (0.5%)

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 (£60k).

Car parking income is expected to be above budget - the key driver being income from on-street penalty charge notices which is expected to be over budget by £60k at the end of the year based on the trend to date. A further contribution is unbudgeted income received following the introduction of Controlled Parking Zones in residential areas at the beginning of the year, which peaked during the first quarter following the purchase of annual permits. A total overachievement in the region of £80k is anticipated.

These surpluses are off-set by a net pressure (£109k) arising from the reconfiguration of the Waste Service as follows:

- £148k pressure as the sale of recycled materials declines.
- £34k pressure relating to a prior year adjustment to the income received from the Hertfordshire Waste Partnership model. Work is currently underway to further assess the impact of the transition to comingled waste collection upon the model.
- £73k overachievement of income from recycling credits following an expected increase in tonnage post implementation. This reflects the increase in acceptable recyclables e.g. tetrapaks, following the implementation of the new scheme.

Planning Fee income is projected to be above the current estimates as a result of increased activity. A request for a one year fixed term post as additional support for this area has been requested and approved by CMT. Cabinet are asked to recommend to Council an increase in both the employee and income budgets of £14k.

5 Housing and Community

Housing & Community	Controllable Budget £000	Projected Outturn £000	Forecast Variance	
			£000	%
Employees	3,171	3,221	50	1.6%
Premises	435	452	17	3.9%
Transport	43	39	(5)	-10.5%
Supplies & Services	2,217	2,225	8	0.4%
Third Parties	25	25	0	0.0%
Income	(4,141)	(4,093)	47	-1.1%
	1,751	1,869	118	6.7%

5.1 Employees - £50k over budget (1.6%)

The main pressure is £22k within Regulatory Services linked to a shortfall against the budgeted vacancy provision (see point 3.1 for general detail).

5.2 Income - £47k under budget (1.1%)

Clinical commercial waste collections have ceased during the first quarter of this year (resulting in a £60k loss of income for the year). This was part of a wider initiative to focus operations on higher revenue generating streams over the longer term within Environmental Health – namely Pest Control, which has implemented a charging policy. Growth in this service is expected to yield increased income over the coming years.

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 £3.38m. The forecast operating surplus is £603k – a change of £364k compared to the surplus of £239k originally budgeted. Significant variances are as follows:

6.3 Contribution towards expenditure - £160K surplus (34.8%)

A surplus of £160K has arisen due to unbudgeted Green Deal energy income being received.

6.4 Repairs and Maintenance – £1.1M over budget (9.7%).

There is a forecast pressure of £1.1m on the Responsive Repairs and Maintenance budget. This is due primarily to the following:

- The cessation of planned repairs during the first quarter to facilitate the transition from Keepmoat to Osborne has caused an expected overspend of £490k on responsive repairs.

- Overhead costs built into the base budget differ to the tendered rates of the new provider, causing a projected pressure of £200k.
- An increase in the costs per repair for voids suggests a projected overspend of £300k.
- An increase in the number of drain blockages has led to overspends on the drainage budget causing a projected pressure of £180K. The continuing trend from previous years suggests that this pressure reflects an underestimation of budget requirement rather than an increase in drainage works.

The position will be contained by transferring resource from the capital planned repairs budget via a reduced revenue contribution to capital (£1m).

6.5 Supervision and Management – 355k under budget (3.3%)

The forecast underspend relates to:

- Pension backfunding paid in 2013/14 – £210K. This is the HRA element of the one-off deficit reduction payment referred to in paragraph 3.1.
- Electricity for flats management - £100K savings from the implementation of energy efficiency projects.
- Supporting People – Saving in agency staff budget of approximately £33K due to service being close to full capacity.
- Housing Cleaning Service – Saving in employee budget of approximately £42K due delayed recruitment to four new posts.
- Housing Landlord Management - £44K saving due to Corporate Graduate post remaining vacant along with over budgeted Group Manager post following a change to the recharge model.

Off-set by pressures from:

- Uninsured losses relating to insurance claims from tenants - £50k
- ICT Orchard maintenance costs - £20k

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. These are detailed in 7.2 and 7.3.

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	3,891	2,749	100	(1,242)	-31.9%
Housing & Community	5,331	5,433	55	47	0.9%
Strategic Planning & Environment	8,584	8,278	68	(374)	-4.4%
G F Total	17,806	16,460	223	(1,569)	-8.8%
HRA Total	36,050	31,380	(2,758)	(1,912)	-5.3%
Grand Total	53,856	47,840	(2,535)	(3,481)	-6.5%

7.2 General Fund Major Variances

As at Quarter 1 there is an overall projected underspend of £1.346m on the General Fund capital programme. This is a combination of underspending of £1.569m on planned works off-set by net in-year pressures of £223k – which will be funded by rephasing future year allocations.

The projected underspend of £1.569m is comprised of:

- £385k underspend on Waste and Recycling Service Improvements as wheeled bins were procured more cheaply than expected. Also, expenditure for employees (£110k), equipment (£64k) and marketing and publicity (£45k) relating to the reconfiguration of the Waste Service has been reclassified as revenue. Cabinet is asked to recommend Council approval for a reduction in the capital programme and capital financing requirement (See section 4 above).
- £1,250k underspend on the Decant works, which following Council's decision to remain in the Civic Centre are no longer required.
- £80k pressure on works at the Old Town Hall due to higher than anticipated tender prices and increased complexity of works.

The projected rephasing of £223k from future budget allocations include:

- £68k pressure on the multi-story car park at Berkhamstead due to higher than budgeted planning and design costs. The scheme continues to evolve but at this stage completion is expected to be within the overall budget allocation.
- £125k pressure on Enterprise Licence Agreements due to a change in licensing arrangements to be funded from future years budget.

7.3 Housing Revenue Account Major Variances

There is a projected underspend on the HRA capital program of £1.911m.

- £1m underspend on Planned Fixed Expenditure as discussed above (point 6.4). Cabinet is asked to recommend to Council that approval be given to reduce the Capital Programme and Capital Financing Requirement (CFR).
- £912k underspend relating to Strategic Acquisitions: The budget allocation for the transfer of the Point from the General Fund to the HRA is not required as this transaction will instead be made via an accounting adjustment to the Capital Financing Requirement.

There is projected slippage of £2.758m into 2015/16 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 are due to commence in September.

8. Balances and Reserves

8.1 Table 2.4 and the Reserves Summary at Appendix D reflect the movements previously approved by Council. Cabinet are asked to recommend to full Council the following supplementary budgets to reflect the required changes to use of reserves and grant funding. These changes have no overall impact on the General Fund reserve:

General Fund

- Reduce use of Pensions Reserve by £745k – point 3.1.
- Reduce pensions back-funding budget by £745k – point 3.1.
- Increase Pensions Reserve contribution by £273k – point 3.1.
- Reduce pensions budget by £273k – point 3.1.
- Reduce use of Management of Change Reserve by £15k – point 3.1.
- Reduce ICT salaries budget by £15k – point 3.1.
- Increase Revenues & Benefits agency staff by £120k – point 3.1.
- Increase Revenues & Benefits grant income by £120k – point 3.1.
- Increase use of Management of Change Reserve by £32k – point 3.1.
- Increase Regulatory Services redundancy budget by £32k – point 3.1.
- Increase Planning Income by £14k – point 4.4.
- Increase Planning Employee budget by £14k – point 4.4.
- Reduce General Fund Revenue Contribution to Capital by £219k – section 4.
- Increase Waste Services employees budget by £110k and supplies and services budget by £109k – section 4.

Housing Revenue Account

- Reduce HRA revenue contribution to capital by £1m – point 6.4.
- Increase HRA revenue Repairs and Maintenance budget £1m – point 6.4.

Capital Programme

- Reduce Waste & Recycling Service Improvements by £219k – section 4.
- Reduce General Fund financing of revenue contribution to capital by £219k – section 4.
- Reduce HRA Planned Fixed Expenditure by £1m – point 6.4.
- Reduce HRA financing of revenue contribution to capital £1m – point 6.4.