



AGENDA ITEM: 9

SUMMARY

Report for:	Cabinet
Date of meeting:	25 November 2014
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 2 2014/15
Contact:	Cllr Nicholas Tiley, Portfolio Holder for Finance and Resources James Deane, Assistant Director Finance and Resources Richard Baker, Group Manager Financial Services
Purpose of report:	To provide details of the projected outturn for 2014/15 as at Quarter 2 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
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: <ul style="list-style-type: none"> • Increase Performance and Projects Supplies and Services by £85k • Increase use of Management of Change Reserve by £85k
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>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 30 September 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. 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	
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	(1,019)	Council September 2014
Reserve Funded Staff Costs	(15)	Council September 2014
Redunancy Costs	32	Council September 2014
Waste Services Implementation	219	Council September 2014
2014/15 Current Budget	19,379	

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	11,665	11,828	163	1.4%
Strategic Planning & Environment	6,159	5,684	(475)	-7.7%
Housing & Community	1,555	1,732	177	2.9%
Total	19,379	19,244	(135)	-0.7%

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	10,164	10,239	75	0.7%
Premises	1,542	1,563	21	1.4%
Transport	36	36	0	0.0%
Supplies & Services	4,683	4,778	95	2.0%
Third-Parties	1,893	1,799	(94)	-5.0%
Income	(6,653)	(6,587)	66	-1.0%
	11,665	11,828	163	1.4%

3.1 Employees - £75k over budget (0.7%)

Pressure of £75k - 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 - £95k over budget (2.0%)

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

Pressure £85k – The Council appointed V4 consultancy in 2013/14 to provide project management support for the Public Service Quarter and associated projects. This was funded from reserves during 2013/14 but the commitment was not included in the base budget for 2014/15. Cabinet is asked to recommend to Council that this be funded from the Management of Change Reserve.

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

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

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

3.4 Income £66k under budget (1.0%)

Pressure £70k - This relates primarily to an over budgeting of summons costs recoverable within Revenue and Benefits. This underachievement is a continuing trend from prior years and will be reviewed as part of the budget setting process.

4. Strategic Planning and Environment

Strategic Planning and Environment	Controllable Budget £000	Projected Outturn £000	Forecast Variance	
			£000	%
Employees	8,326	8,247	(78)	-0.9%
Premises	1,085	1,104	19	1.7%
Transport	1,426	1,442	16	1.1%
Supplies & Services	4,656	4,505	(151)	-3.2%
Third-Parties	153	153	0	0.0%
Income	(9,487)	(9,767)	(281)	-3.0%
	6,159	5,684	(475)	-7.7%

4.1 Employees - £78k under budget (1%)

Pressure £92k - 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 £170k - This pressure is offset by the net projected savings of the reconfiguration of Waste Services. The reduction in staffing requirements should generate savings for forward budgets, but also in year savings through the holding of vacant posts in preparation for the reconfigured service. Detailed staffing requirements are being worked on for the budget setting process.

4.2 Supplies and Services – £151k under budget (3.1%)

Underspend £50k - The cost per tonne for disposal of commercial waste is lower than forecast at the time of setting the budget. The cost per tonne is determined by Hertfordshire County Council.

Underspend £48k - The new Housing Repairs contractor is not using Cupid Depot for the disposal of waste. This is projected to reduce skip/disposal costs by £48k.

Underspend £42k - The costs of marketing and compostable liners for the introduction of the new waste service have been lower than anticipated.

4.3 Income - £281k over budget (0.5%)

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 £120k - Car parking income is expected to be above budget, comprising of two main elements. On-street penalty charge notices are expected to be over budget by £50k at the end of the year based on the trend to date. Off-street car

parking is forecast to achieve an additional £65k based on trend to date and historical data.

Surplus £120k - Development control income is projected to achieve a surplus due to some large one off applications, along with a general increase in applications.

5 Housing and Community

Housing & Community	Controllable Budget £000	Projected Outturn £000	Forecast Variance	
			£000	%
Employees	3,193	3,243	50	1.6%
Premises	402	383	(20)	-4.8%
Transport	43	39	(4)	-9.3%
Supplies & Services	1,985	2,050	64	3.2%
Third Parties	25	25	0	0.0%
Income	(4,094)	(4,007)	87	-2.1%
	1,555	1,732	177	11.4%

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

Pressure £50k - 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.

5.2 Supplies & Services - £64k over budget (3.2%)

Pressure £102k - There is a projected overspend on garages. Of this, £46k relates to contractual spend on planned repairs, entered into during 2013/14 but not completed within the financial year. A further £56k relates to spend on the options appraisal of garage sites.

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

5.3 Income - £87k under budget (1.1%)

Pressure £44k - 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 – namely Pest Control which has implemented a charging policy. Growth in this service is expected to yield significantly increased income over the coming years.

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 £3.72m. The forecast operating surplus is £994k – an increase of £755k compared to the surplus of £239k originally budgeted. Significant variances are as follows:

6.3 Dwelling Rents - £249K surplus (0.5%)

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 - £34K surplus (34%)

Higher capital balances due to lower capital expenditure 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 Repairs and Maintenance – £180K over budget (1.4%)

There is a projected pressure on the drainage budget of £180K. This continuing trend from previous years suggests that this pressure reflects an underestimation of budget requirement rather than an increase in drainage works.

6.7 Supervision and Management – £504k under budget (3.2%)

The expected underspend relates to:

- 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 £100k - Generated from the implementation of energy efficiency projects such as the installation of solar panels at flats and LED lighting in communal areas.
- Underspend £80k - 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 £189k - Salaries are forecast to be underspent, £67k of which is due to vacancies within the service and £122k relates to the TUPE of staff to Osborne.

- Pressure £74k - Uninsured losses relating to insurance claims from tenants for damages to buildings, storm damage and water leaks. Based on historical data and the trend of overspends against this budget, it may need to be revised upwards for 2015/16.
- Pressure £30k - Some software maintenance costs were excluded from the budget on the assumption that there would be a reduction in the internal software requirements under the new Total Asset Management contract.

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	2,641	2,664	5	18	0.7%
Strategic Planning & Environment	8,865	8,540	118	(443)	-5.0%
Housing & Community	5,331	6,042	355	356	6.7%
G F Total	16,837	17,246	478	(69)	-0.4%
HRA Total	35,050	31,113	(2,776)	(1,161)	-3.3%
Grand Total	51,887	48,359	(2,298)	(1,230)	-2.4%

7.2 General Fund Major Variances

As at Quarter 2 there is an overall projected pressure of £409k on the General Fund capital programme. This is a combination of underspending of £69k, and re-phasing of budgets from future year allocations into 2014/15 of £478k.

The projected net underspend of £69k is comprised of:

- Pressure £350k (line 102) - Additional areas for filling have been identified on the Highbarns Land Stabilisation project, and it is anticipated that after these works a certificate for completion can be provided to the Council. A report was taken to Cabinet on 21 October 2014 to recommend a Supplementary Estimate be approved by Council.

- Underspend £80k (line 119) – Budget on the Hemel Hempstead Gym Refurbishment was incorrectly slipped forward from 2013/14 after project completion.
- 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).
- Underspend £176k (line 147) - 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 £139k (line 156) – Spend is lower on Waste and Recycling Service Improvements as wheeled bins were procured more cheaply than expected.
- Underspend £112k (line 166) - The Neighbourhood Centre improvements are not being undertaken due to a change in Corporate Priorities since the project was approved into the Capital Programme.

The projected re-phasing of £478k from 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 has been extended.
- Pressure £55k (line 131) – The works undertaken on the Verge hardening project are moving at a faster rate than forecast in the Capital Programme, and budget will need to be brought forward from 2015/16.
- £100k slippage (line 132) on youth centre provision. Options for this project are still being considered, so work will not be undertaken during 2014/15.
- £75k slippage (line 156) on Waste services improvements. Works to the Depot will be carried out next year following assessment of the impact of the reconfigured service.
- £450k slippage (line 164) on Maylands phase 1 improvements. There has been uncertainty over the project management arrangements. 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. There has also been capacity issues preventing these processes being undertaken.
- £80k slippage (line 167) on the Urban Park. The team has not had the capacity to undertake this project as priority has been given to other projects, in particular the Water Gardens.

These are off-set by pressures requiring funding to be brought forward from the future budget allocations approved for these projects:

- Pressure £125k (line 79) – A change in licensing arrangements has generated a pressure on Enterprise Licence Agreements which will be funded from future year allocations.
- Pressure £431k (line 138) – The tender price for the Elms Hostel development at Redbourn Road was higher than budgeted (£300k). In addition the refinement of fixtures and fittings specifications has generated an in year pressure.
- Pressure £68k (line 148) – The planning and design costs for the multi-story car park at Berkhamsted are higher than budgeted. The scheme continues to evolve but at this stage completion is expected to be within the overall budget allocation.
- Pressure £300k (line 158) – This pressure relates to unbudgeted fleet purchases – the key requirement being five new caged tippers for the Clean Safe and Green service (£158k). The long term programme has been reviewed and will be incorporated into the Capital Programme.
- Pressure £355k (line 168) -. The timing of cash-flows for the regeneration of Hemel Hempstead Town Centre have been refined since the approval of the capital programme. A reduction to the 2015/16 budget will be made to offset the in year pressure.

7.3 Housing Revenue Account Major Variances

There is a projected underspend on the HRA capital program of £1.161m. This includes:

- Underspend £830k (lines 196-199) - The strategic acquisitions 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 financing section of the capital programme.
- Underspend £331k (line 191) – The tender price for new build at Farm Place Berkhamsted was lower than budgeted.

Projected re-phasing of £2.776m to future years includes:

- £2.776m slippage 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 October.

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

- Increase Performance and Projects Supplies and Services by £85k
- Increase use of Management of Change Reserve by £85k