



AGENDA ITEM: 13

SUMMARY

Report for:	Cabinet
Date of meeting:	26th November 2013
PART:	1
If Part II, reason:	

Title of report:	Performance & Budget Monitoring Report – Quarter 2
Contact:	Cllr Neil Harden – Portfolio Holder Residents & Regulatory Services Cllr Nick Tiley – Portfolio Holder Finance & Resources Martin Hone – Corporate Director Finance & Operations (Section 151)
Purpose of report:	<ol style="list-style-type: none"> 1. To provide Members with an update on the various types of performance and details of the forecast outturn position as at the end of Quarter 2 2013/14. 2. Part A – Quarter 2 Performance Report 3. Part B – Quarter 2 Budget Monitoring Report
Recommendations	<ol style="list-style-type: none"> 1. That the Cabinet considers and notes the Quarter 2 report on targets and performance and notes progress towards the achievement of the Council's Priorities and Vision. 2. That Cabinet note the Forecast outturn position.
Corporate objectives:	Effective service and financial performance supports all five of the Council's strategic objectives.
Implications:	<p><u>Financial</u></p> <p>A summary of the Council's financial position for quarter 2 2013/14 is included at Part B.</p>

'Value For Money Implications'	<p><u>Value for Money</u></p> <p>In order to achieve 'value for money' services must demonstrate economy, efficiency and effectiveness. Performance information enables members to review how effectively services are performing.</p>
Risk Implications	<p>Failure to meet corporate objectives and performance targets would have an adverse effect on the Council's performance management objectives and the Council's reputation.</p>
Equalities Implications	<p>None</p>
Health And Safety Implications	<p>None</p>
Monitoring Officer/S.151 Officer Comments	<p>Deputy Monitoring Officer:</p> <p>No comments to add to the report</p> <p>Deputy S.151 Officer</p> <p>This is a S151 Officer report</p>
Consultees:	<p>Portfolio Holder Residents & Regulatory Services Portfolio Holder Finance & Resources Chief Executive, Directors, Assistant Directors, Group Managers and Budget Holders</p>
Background papers:	<p>None</p>
Glossary of acronyms and any other abbreviations used in this report:	<p>CSSG – Capital Strategy Steering Group EDRMS – Electronic Document Recovery Management System HRA – Housing Revenue Account</p>

BACKGROUND

1. This report contains both performance and budget monitoring reports for Quarter 2 2013/14.

PART A:

2. The Full Quarterly Performance Report (Appendix A) shows summary information, with exceptions reported in full. The Unfiltered Quarterly

Performance Report (Appendix B) shows the full range of performance information collected in quarter 2 and a comparison to the relevant quarter 1 2013/14 figures.

3. The overall direction of travel shows a score of 7.06 across the Council, compared to 7.79 in quarter 1 2013/14 (based on the same set of indicators). This is a slight drop in performance, though remaining green – the optimum position on CorVu comparing targets to actual performance achieved being 6.66.

Environmental Performance

4. The Environmental Performance report (Appendix C) has been developed to give more detailed information on energy, water and paper consumption across the Council's services.
5. Members can access more detailed performance information on all of the individual service areas and all performance indicators by logging onto the CorVu system.

PART B:

1. Introduction

- 1.1 The purpose of this report is to outline Council's forecast outturn for 2013/14 as at 30 September 2013. 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 D 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 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 table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

	Revised Budget £000	Provisional Outturn £000	Forecast Variance	
			£000	%
Finance & Resources	12,245	12,010	(235)	-1.9%
Strategic Planning & Environment	6,343	5,973	(370)	-5.8%
Housing & Communities	1,889	1,849	(40)	-2.1%
Total	20,477	19,832	(645)	-3.1%

- 2.5 The current budget is the original budget approved by Cabinet in February 2013 plus the following approved amendments:

Amendments	£000	Approved
2013/14 Original budget	19,473	
Transfer from Car Park Reserve	60	Audit Committee May 2013
Transfer from Management of Change Reserve for EDRMS	203	Council July 2013
Transfer from Technology Reserve for IT	102	Council April 2013
Transfer from Management of Change Reserve for Apprentices	25	Council September 2013
Transfer from reserves for the Customer Service Unit contract.	614	Council September 2013
2013/14 Current Budget	20,477	

3. Finance & Resources

Finance & Resources	Controllable Budget £000	Forecast Outturn £000	Forecast Variance	
			£000	%
Employees	10,511	10,569	58	0.6%
Premises	2,399	2,297	(102)	-4.2%
Transport	43	40	(3)	-8.0%
Supplies & Services	4,932	4,815	(117)	-2.4%
Third-Parties	1,431	1,378	(53)	-3.7%
Transfer Payments	47,209	47,209	0	0.0%
Income	(54,280)	(54,299)	(19)	0.0%
	12,245	12,010	(235)	-1.9%

3.1 Employees – £58k over budget (0.6%)

The employees forecast outturn reflects three main variances:

- A £60k pressure is forecast within Legal Governance due to Agency costs required to cover a maternity leave.
- A £70k pressure within Human Resources is forecast due to increased recruitment costs and the extension of a temporary post. This is to assist with ongoing key projects such as the Customer Service Unit.

Partly offset by:

- A £105k saving is projected within Financial Services due to two long-term vacancies and three short-term vacancies. This is linked to the Government Procurement Card (GPC) project and will be considered during the budget process.

3.2 Premises – £102k under budget (-4.2%)

The underspend relates primarily to a reduction in Business Rates for empty Commercial Properties (£80k). A key factor in this is the continued increase in occupancy levels. There has also been a reduction in Business Rates at the Civic Centre (£20k).

3.3 Supplies and Services – £117k under budget (-2.4%)

The main underspend relates to the transfer of spend for discretionary rate relief to the collection fund (£150k). This is a requirement under the new scheme for managing business rates.

3.4 Third Parties – £53k under budget (-3.7%)

The saving has been achieved from the change of internal audit provider. This is currently being reviewed due to a further change in audit provider.

4. Strategic Planning & Environment

Strategic Planning and Environment	Controllable Budget £000	Forecast Outturn £000	Forecast Variance	
			£000	%
Employees	8,190	8,187	(3)	0.0%
Premises	877	875	(2)	-0.2%
Transport	1,383	1,427	44	3.2%
Supplies & Services	5,138	4,989	(149)	-2.9%
Third-Parties	131	143	12	9.2%
Income	(9,377)	(9,649)	(272)	-2.9%
	6,342	5,972	(370)	-5.8%

4.1 Transport - £44k over budget (3.2%)

There are two major variances:

- A £58k pressure within Fleet Management (Vehicle Repair Shop) due to increased repairs to ageing vehicles. A review of the Fleet management strategy is underway and replacement vehicles are expected within the next 12 months.

Partly offset by:

- A £17k saving within Waste and Recycling following the installation of fuel tanks at Cupid Green Depot. Fuel usage is currently expected to be consistent with last year's usage and budget, but fuel is being purchased at 6-7p less per litre than the pump price.

4.2 Supplies & Services - £149k under budget (-2.9%)

The major underspend (£124k) relates to works on the Local Development Framework (LDF), which will now be undertaken in 2014/15. There are underspend on various elements of LDF work streams caused by a combination of external influences impacting upon timetable deadlines and internal capacity to complete work.

4.3 Income - £272k over achieved (-2.9%)

There are two main areas where income is greater than budgeted:

- The current projection for car parking income is for £180k more than budgeted. Work continues to refine the projections for income and to produce accurate breakdowns between on and off street parking and between pay and display income and penalty charge notices.
- An additional £160k income is projected from large planning applications and £20k from land charge search fees.

This is partly off set by a projected under achievement from Recycling income. There are two main reasons:

- A £47k pressure is projected because of a reduction in the price achieved for plastics.
- The second is a £53k pressure projected because of a reduction in the amount of paper recycled. The tonnages recycled in the 1st quarter are significantly lower than budgeted reflecting lower usage of paper generally e.g. transition to online newspapers and magazines etc.

5. Housing & Community

Housing & Community	Controllable Budget £000	Forecast Outturn £000	Forecast Variance	
			£000	%
Employees	3,008	3,097	89	3.0%
Premises	398	398	0	0.0%
Transport	58	49	(9)	-15.5%
Supplies & Services	2,196	2,193	(3)	-0.1%
Third Parties	25	25	0	0.0%
Transfer Payments	5	5	0	0.0%
Income	(3,801)	(3,918)	(117)	-3.1%
	1,889	1,849	(40)	-2.1%

5.1 Employees - £89k over budget (3%)

The major variance (£60k) is projected within Strategic Housing. This is due to temporary Housing Options posts. Specific grant is available within earmarked reserves to finance these posts, which will offset this pressure before year-end.

5.2 Income - £117k over budget (-3.1%)

There are three main variances:

- £65k from the provision of homelessness accommodation at Leys Road Hostel. This income is received from housing benefit payments, for customers of the hostel;
- £100k recovered housing benefit to off-set the cost of providing homelessness accommodation through private providers (Bed & Breakfast).

Partly offset by:

- A £63k underachievement within Regulatory Services due to the cessation of drainage service provision to the HRA following the retirement of an employee.

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 is shown at Appendix B.

6.2 The projected year end HRA balance is £2.718m. The forecast operating deficit is £59k – a change of £244k compared to the surplus of £185k originally budgeted. Major variances are as follows:

6.3 Repairs and Maintenance - £1m over budget: (9.4%)

Day to Day Repairs

The current projected overspend of £450k on responsive (day to day) repairs is caused by an increase in demand. The volume of repairs carried out in the first six months of 2013/14 has exceeded predictions and is significantly up on last year. Work is taking place to analyse the types of repairs so that this can inform our future repairs policy, the new Total Asset Management Contract and future planned programmes.

It is felt that the increased activity since self financing on repairs, planned works, consultation and communication has resulted in increased expectations from our tenants and leaseholders. The consequence is that more tenants are choosing to report repairs with a confidence that they will be completed.

Empty Homes – Void Repairs

There is a projected overspend of approximately £800k. There are two main reasons for the projected overspend in this area:

- Lettings are projected to be approximately 10% higher than in 2012/13. This is attributed in part to the welfare reform changes, which results in an increase in the number of tenants wishing to move to a smaller home;
- The budget for 2013/14 was set using the empty homes standard for 2013/14 rather than the agreed revised standard. The difference is an average of around £500 per void repair;
- It is clear from DBC officer networks and from discussions with ARCH (Association of Retained Council Housing) that many authorities are experiencing similar pressures on their empty homes budget.

Planned Maintenance

A review of planned maintenance has been undertaken and total works of £250k identified that could be saved against the 2013/14 budget and completed in 2014/15

6.4 Revenue Contribution to Capital - £756k under budget (6.3%)

The projected overspend on Repairs and Maintenance would result in the projected closing balance falling below the minimum target balance of 5% of turnover (around £2.7m). The level of Revenue Contribution to Capital has therefore been reduced in order to maintain the balance at above the minimum target. This will not affect the delivery of the capital programme.

7 Capital Programme

- 7.1 The table below summarises forecast outturn for the capital programme by scrutiny committee. The detailed capital programme by scheme is set out at Appendix F.

	Current Budget £000	Forecast Outturn £000	Forecast Slippage £000	Forecast Variance	
				£000	%
Finance & Resources	3,827	3,292	492	(43)	-1.1%
Strategic Planning & Environment	9,302	6,217	3,141	56	0.6%
Housing & Community	8,037	7,730	353	46	0.6%
G F Total	21,166	17,239	3,986	59	0.3%
HRA Total	32,180	32,180	0	0	0.0%
Grand Total	53,346	49,419	3,986	59	0.1%

7.2 The forecast variance is based upon the capital budget approved by Cabinet in February 2013 adjusted for slippage brought forward at outturn and items approved in year. The changes are detailed in the table below:

Amendments	£000	Approved
2013/14 Original Budget	38,731	
Affordable Housing Development Fund	524	Portfolio Holder Decisions
Slippage carried forward from 2012/13	2,775	Audit Committee - June 2013
Highbarns Land Stabilisation Project	750	Council July 2013
St Nicholas Nursery - Structural Repairs	60	Council July 2013
Entropy Management Software	38	Council July 2013
Plant replacement at Commercial Properties	57	Council July 2013
Legal Case Management Software	14	Council July 2013
Play Area Refurbishment Programme	100	Council July 2013
Market Square & Bus Interchange	2,160	Council September 2013
Maylands Gateway	1,000	Council September 2013
Neighbourhood Centre Improvements	24	Council September 2013
Customer Service Unit	363	Council September 2013
General Fund Adjustments	7,865	
Estate Improvements	750	Council July 2013
Balcony Repairs	1,000	Council July 2013
Strategic Acquisitions	5,000	Council September 2013
HRA Adjustments	6,750	
2013/14 Current Budget	53,346	

7.3 Major scheme variations are explained below:

General Fund Schemes

Berkhamsted Sports Centre – Roof Replacement (line 63)

The scheme (£400k) has not been progressed as other options for the centre are currently being considered. The scheme is expected to slip into 2014/15.

Decent Homes in the Private Sector (line 125)

A review is currently being undertaken as to how this external funding should be best used to improve homes in the private sector. It is therefore not expected that the budget (£353k) will be spent this year.

Fleet Replacement Programme (line 158)

Work is currently in progress to revise the way the Council provides Waste Services. An integral part of the project is establishing and then procuring the appropriate vehicles to deliver the new service. It is expected that the majority of this cost will be incurred next year, hence the forecast slippage of £2.6m. When more details are known a report will be taken to cabinet as part of the new waste service project.

Old Town Environmental Enhancements (line 166)

The original £1m budget was split between 2013/14 and 2014/15. The majority of the cost (£900k) is now expected to be delivered this year. The scheme is expected to overspend by £100k.

GAF - Neighbourhood Centre Improvements (line 169) & GAF - Urban Park/Education Centre (line 170)

The expected delivery timescales for these projects have been reviewed and will result in slippage (£334k) to 2014/15.

Regeneration of Hemel Town Centre (line 171) & Water Gardens (line 174)

The expected delivery timescales for these projects have been reviewed and will result in slippage (£656k) to 2014/15.