



AGENDA ITEM: 12

SUMMARY

Report for:	Cabinet
Date of meeting:	27th November 2012
PART:	1
If Part II, reason:	

Title of report:	Performance and Budget Monitoring Quarterly Report Quarter 2 – 2012- 2013
Contact:	Cllr Neil Harden - Portfolio Holder for Residents and Regulatory Services Louise Miller – Corporate Director (Performance, Improvement & Transformation) Cllr Nick Tiley – Portfolio Holder for Finance and Resources Sally Marshall – Corporate Director (Finance & Governance) (S.151 Officer)
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, 2012/13. 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 two 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> A summary of the Council’s financial position for quarter 2, 2012/13 is included as Part B.</p> <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>
‘Value For Money Implications’	

Risk Implications	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.
Equalities Implications	None.
Health And Safety Implications	None.
Monitoring Officer/S.151 Officer Comments	<p>Deputy Monitoring Officer:</p> <p>No comments to add to the report.</p> <p>S.151 Officer</p> <p>The S151 Officer's comments have been incorporated into the report.</p>
Consultees:	<p>Portfolio Holder for Residents and Regulatory Services</p> <p>Portfolio Holder for Finance and Resources,</p> <p>Chief Executive, Directors, Assistant Directors and Group Managers.</p> <p>Budget Holders</p>
Background papers:	<p>Annexes:</p> <p>Part A: – Quarter 2 Performance Report Information Sheet, Performance Indicators Report and Environmental Performance Report.</p> <p>Part B – Quarter 2 Budget monitoring report</p>
Glossary of acronyms and any other abbreviations used in this report:	<p>DCLG – Department of Communities and Local Government</p> <p>F&R – Finance & Resources</p> <p>GF – General Fund</p> <p>H&C – Housing & Community</p> <p>HRA – Housing Revenue Account</p> <p>LDF – Local Development Framework</p> <p>LGPS – Local Government Pension Scheme</p> <p>LSTF – Local Sustainable Transport Fund</p> <p>OSC – Overview and Scrutiny Committee</p> <p>PWLB – Public Works Loan Board</p> <p>SPE – Strategic Planning & Environment</p>

BACKGROUND

- 1 This report contains both the performance and budget monitoring reports for quarter 2 2012/13.

PART A:

2. The Quarterly Performance Report Information Sheet shows summary information, with exceptions reported in full. The Quarter 2 Performance Indicators Report shows the full range of performance information collected in quarter 2 and a comparison to the relevant quarter 1 outturn figures. The overall direction of travel shows a score of 7.12 across the Council, compared to 7.68 in quarter 1. Although showing a small reduction, this performance is well within target range – the optimum position on CorVu comparing targets to actual performance achieved being 6.66.

3. **Environmental Performance**

The Environmental Performance report has been developed to give more detailed information on energy, water and paper consumption across the Council's services.

4. 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 update Cabinet on the Council's forecast outturn for 2012/13 as at 30 September 2012. The report covers the following budgets:

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

- 1.2 Revenue analysis within this report is based on the variance between forecast outturn and the budget approved by Full Council in February 2012, adjusted for approved variations and supplementary bids. Capital analysis is based on variance between forecast outturn and the revised capital budget approved by Cabinet in June 2012.

2. **General Fund Revenue Account**

- 2.1 The General Fund (GF) 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 5).

- 2.2 Appendix A shows that General Fund Service Expenditure is forecast to be under budget by £848k at year-end (3.7%). This underspend is augmented by a forecast £102k over-achievement of interest receipts. The net impact is a £950k swing on the use of working balances – from a budgeted draw down from balances of £334k, to a forecast contribution to working balances of £616k.

- 2.3 Appendix A separates expenditure into controllable and non-controllable categories in order to focus scrutiny on those areas where Officers are able to influence the outturn position, i.e. the controllable.
- 2.4 The majority of non-controllable costs result from year-end accounting adjustments, e.g. depreciation charges, which are required to show the true value of resources used to provide the Council's services, but which do not result in a cash charge to taxpayers. As these costs will not be known until year-end, the forecast outturn for all areas is shown as on budget.
- 2.5 The following sections provide an analysis by Scrutiny area of the forecast controllable budget variances contributing to the forecast General Fund Service Expenditure variance of £848k.

3. Finance & Resources

- 3.1 The table below shows the provisional outturn position for the F&R OSC by type of expenditure/income:

	Controllable Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Finance & Resources			
Employee s	11,634	11,353	(281)
Premises	2,316	2,197	(119)
Transport	48	43	(5)
Supplies & Services	4,844	4,797	(47)
Third-Parties	264	265	1
Transfer Payments	56,788	56,788	0
Income	(63,657)	(63,754)	(97)
	12,237	11,689	548

- 3.2 The forecast outturn position for F&R is £548k (4.5%) under budget.
- 3.3 Material variances within each category of expenditure are explained below.

Employees – £281k under budget (2.4%)

- £125k underspend within Financial Management. £95k arises from vacancies within the Transactional Finance team (including the Team Leader post), which are being carried pending review of the resource impact of the implementation of Government Procurement Cards. The remaining £30k arises from reduced hours following return from maternity leave, and employees opting out of the Local Government Pension Scheme (LGPS).

- £24k underspend within Revenues and Benefits relating to Team Leader maternity leave.
- £89k underspend in Customer Service Unit (CSU). This is primarily due to 3 vacancies and 13 employees (from a team of 43) opting not to join the LGPS. A recent recruitment exercise has filled the vacancies that caused the underspend, which should prevent it increasing.

Premises – £119k under budget (5%)

- £127k net underspend within Asset Management relating primarily to reduced maintenance expenditure across Cemeteries, Investment Properties and Community Centres (£31k, £43k and £30k respectively). There is also a reduction in the running costs of Hemel Civic Centre following the outsourcing of Facilities Management to SERCO resulting in a saving of £60k.

Supplies and Services – £47k under budget (1%)

- £116k underspend within Financial Services linked to reduced banking charges under the new bank contract (£31k), and reduced External Audit fees (£82k) following the appointment of Ernst & Young as the Council's auditors.
- £97k underspend against the Tourism budget. Approval has been sought for this budget to be vired across to the Maylands Growth Budget, where the two will be managed as part of the Dacorum Look No Further project.
- £39k underspend relating to County Council Elections and Members' expenses, specifically a reduction in printing costs and subscriptions (£19k) and a reduction in the level of allowances claimed by Members (£20k).
- £50k overspend within Communication and Customer Insight relating to the cost of commercial lawyers required to work on the CSU Invitation to Tender.
- £117k overspend within Revenues and Benefits. This includes a £77k pressure for the purchase of IT licenses, which pending approval of the capital expenditure by Capital Strategy Steering Group, could be reclassified as capital and removed as a revenue pressure. There is also a £40k pressure arising from consultancy fees on the Liberata project.

Income – £97k over achievement (0.1%)

- £80k overachievement within Asset Management relating to £59k increased rental income arising from backdated rent reviews, and £21k rent received from tied accommodation which was not included in the original budget.
- £42k overachievement within Partnerships and Citizen Insight arising from receipt of an insurance settlement relating to a previous fire at Little Hay Golf Course.
- £50k underachievement within General Admin relating to expenditure recharged to services across DBC for internal mailing and reprographic services.

4. Strategic Planning & Environment

4.1 The table below shows the provisional outturn position for the SP&E OSC by type of expenditure/income:

	Controllable Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Strategic Planning & Environment			
Employees	8,285	8,194	(91)
Premises	844	859	15
Transport	1,537	1,428	(109)
Supplies & Services	5,992	5,926	(66)
Third-Parties	64	67	3
Income	(9,987)	(9,993)	(7)
	6,735	6,480	(255)

4.2 The forecast outturn position for SPE is £255k (3.85%) under budget.

4.3 Material variances within each category of expenditure are explained below.

Employees – £91k under budget (1.1%)

- £75k underspend within Environmental Services: £55k underspend in Clean Safe and Green arising from a vacant supervisor post scheduled to be filled in August, and two new starters employed at lower spinal points and without the contracted overtime originally budgeted. £20k underspend in the Vehicle Repair Shop relating to a post that was scheduled to be filled by an apprentice, but which will not now be filled. The post has been deleted from the proposed 13/14 budget.
- £105k net underspend within Development Management and Planning linked to a number of vacancies, which have been partially off-set by the use of agency staff: £58k in Building Control, £16k Development Control and £31k Planning Conservation.
- £80k overspend within Strategic Planning and Regeneration relating to two Local Development Framework posts. These costs are offset by a corresponding saving within Supplies and Services.

Transport - £109k under budget (7%)

- £102k within Environmental Services due to fuel prices currently tracking below the anticipated inflation rates assumed in the budget (£32k within Clean Safe and Green and £70k within Waste and Recycling).

Supplies and Services - £66k under budget (1.1%)

- £156k overspend within Strategic Planning and Regeneration for Local Sustainable Transport Fund (LSTF) initiatives in support of a behavioural change programme in Maylands Business Park to encourage the use of local public transport. £116k of this cost is offset by unbudgeted grant income received in year (see below) following a successful county-wide bid to the Department for Transport.
- £30k overspend within Environmental Services (Clean Safe and Green) for new equipment to improve the level of service and customer satisfaction.
- £80k underspend within Strategic Planning and Regeneration. This relates to the two LDF related posts referred to within the Employee section, above.
- £200k underspend within Development Management and Planning. This was included in the budget to cover a potential liability arising from an outstanding legal case. However, a provision was created as part of the year-end process, which effectively means that this £200k was paid for from the Service's 2011/12 budget, and this 2012/13 budget will not be required.

Income - £7k above budget (0.07%)

- £116k surplus within Strategic Planning and Regeneration. This relates to the funds received as part of a successful bid to the Department for Transport for the delivery of Local Sustainable Transport initiatives. This grant partially offsets the £156k overspend described in the Supplies and Services section, above.
- £145k surplus within Development Management and Planning. At the time of the 2012/13 budget setting exercise, it was anticipated that the Council would lower the fee it charges for Land Searches following further guidance expected from central government. This guidance has not been received, and consequently the Council has not reduced its fees.
- £90k underachievement on Building Control fees. This outturn estimate takes into account the recent increase in fees and is reflective of the first six months income, as well as trend analysis for the last 5 years.
- £208k net underachievement within Environmental Services relating to Waste and Recycling. This reflects a reduction in prices of £176k: £60k shortfall due to no longer sorting glass; £43k shortfall on Paper, following a trend of declining tonnage; and a £73k shortfall on plastics following a marked deterioration in prices down to £55 per tonne, from the budgeted £195 per tonne.

In addition, there is an expected reduction in Alternative Financial Model income of around £50k due to the increased cost of removing contamination from green waste. The total expected shortfall of £228k is marginally off-set by strong performance in other areas such as the recycling of aluminium and steel for example where projected income exceeds budget for the year by £20k.

5. Housing & Community

- 5.1 The table below shows the provisional outturn position for the General Fund (GF) element of the H&C OSC by type of expenditure/income:

	Controllable Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Housing & Community			
Employees	3,078	3,157	79
Premises	437	394	(43)
Transport	57	50	(7)
Supplies & Services	2,329	2,341	11
Third Parties	24	25	1
Transfer Payments	5	5	0
Income	(3,920)	(4,006)	(86)
	2,010	1,965	(45)

- 5.2 The forecast outturn position for H&C is £45k (2.2%) under budget.
- 5.3 Material variances within each category of expenditure are explained below.

Employees - £79k over budget (2.5%)

- £110k overspend within Resident Services caused by increased overtime costs for the Jubilee in Community Cohesion (£19k), a new Manager and additional payments being made to standby CCTV operators within CCTV and Town Centre Management (£25k).

Other contributors include the unbudgeted costs of a Family Intervention Project Officer in Anti-social Behaviour and Neighbourhood Action (£42k), and the costs of Adventure Playgrounds staff to run youth clubs in the evening (£10k). Both of these pressures are offset by grant income that was successfully secured in year.

Supplies & Services - £11k over budget (0.5%)

- £10k overspend in Community Cohesion relating to Olympics and Diamond Jubilee.

Income - £86k over achievement (2.19%)

- £44k underachievement on Licensing related income caused by a delayed increase in the fees and charges approved in the 2012/13 budget.
- £60k surplus within Residents Services caused by unbudgeted grant income for the provision of a Family Intervention Project Officer in Anti-social Behaviour and

Neighbourhood Action, and the costs of Adventure Playgrounds staff to run evening youth clubs (£50k and £10k respectively). This funding offsets part of the pressure described within the Employees section, above.

- £43k surplus within the Strategic Housing Service. This relates to the return of a grant initially issued by Housing Solutions to the Dacorum First Credit Union for a social loan initiative. The scheme has now ceased and the unused grant has been returned.

Housing Revenue Account (HRA)

- 5.4 The HRA is a ringfenced account relating to the Council's Landlord functions, which falls within the H&C Scrutiny area. 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.
- 5.5 The HRA balance at the end of 2012/13 is forecast to be £9.619m, which is £7.246m higher than the anticipated closing balance when the budget was set by Council in February 2012.
- 5.6 £816k of the £7.246m favourable variance results from a higher opening balance for 2012/13 than had been forecast at the time the budget was set. This resulted from a higher than anticipated underspend within 2011/12.
- 5.7 Significant variances contributing to the remaining £6.430m variance are:

Dwelling Rents - £250k (0.5%) overachievement

- This reflects a reduction in the income lost through carrying voids. Improvements in the voids management process have hastened the turnaround time and reduced lost income.

Other Repairs/Income - £140k (7%) under budget

- £110k relates to reduced payment to Mitie in 2012/13 for their site based overheads. This has arisen due to an overpayment made within 2011/12.

Supervision & Management (General Expenses) - £212k (3.7%) under budget

- £140k net underspend on employee costs. This reflects £160k underspend on permanent staff salaries linked to vacancies created to implement the HRA Procurement project, but to which no appointments have yet been made. This is partially offset by a pressure of £30k arising from consultancy costs on the Procurement project.
- £45k underspend on consultancy within Landlord Service Development. This is a responsive budget set to enable the service to respond to changes in housing legislation that may occur throughout the year.
- £20k saving on bank charges following a successful project to encourage payments to be made by direct debit rather than by cash.

Supervision & Management (Special Expenses) - £293k (9.3%) under budget

- £90k saving relating to 'Decants for Major Works'. This budget relates to the cost of decanting tenants to other accommodation whilst major works are completed on their property. Expenditure has been reduced due to more efficient use of void properties.
- £40k underspend relating to 'Housing Cleaning Service'. £10k on Supplies and Services, and around £25k on salaries (against a budget of £466k) and £7k on overtime.
- £32k underspend relating to 'Community Alarm System'. Based on trend analysis for 2011/12 and the current year-to-date position the forecast outturn is estimated at £80k, below the budget of £112k.
- £25k underspend relating to the Chilterns Hostel. Small underspend on salaries of £5k. High occupancy rates have resulted in very low expenditure against the Council Tax and NNDR void properties.
- £80k underspend relating to 'Supporting People'. This comprises an underspend of £30k against various Supplies and Services budgets, and £43k against laundry. Both of these categories will come under particularly close scrutiny when setting the 2013/14 budgets.

Revenue Contribution to Capital - £1.196m (30.3%) under budget

- The Revenue Contribution to Capital reflects that element of revenue surplus which is required to 'top up' capital funds so that investment plans are adequately financed.

Around £1m of this variance arises because the actual 2012/13 opening balance on the Major Repairs Reserve (which is the first source of capital financing) was £1m higher than anticipated at the time the budget was set. This means that £1m less 'top up' is required from revenue surpluses.

The remaining variance is due to minor changes to the HRA investment plans which reduced the in-year costs and meant that lower revenue 'top up' was required.

Interest Payable - £4.317m (27%) under budget

- This relates to the interest payable on the loan of £354m taken to finance the payment to Department for Communities and Local Government (DCLG) for the transition to Self Financing. The interest rates of the loans taken from the Public Works Loan Board (PWLB) could not be finalised until 26 March 2012, after the budget had been set. Therefore, for budgeting purposes a prudent view of the likely rates was taken, and the budget was set to reflect an assumed flat rate of 4.5%.

On the date the loans were booked, the Council was able to secure an average interest rate of 3.3%. The difference between the forecast rate and the actual rate resulted in a saving on the interest payable of £4.317m for 2012/13.

5.8 The £4.317m underspend arising from the lower interest rates was reported to Cabinet at its meeting of 27 March 2012, as soon as the rates were finalised by PWLB. Cabinet resolved to review the performance of the business plan throughout 2012/13 before considering how best to invest this additional capacity. A report will follow later in the current financial year.

6. Capital Expenditure

6.1 The capital programme, in Appendix C, shows variances against the 2012/13 revised budget approved by Cabinet in June 2012.

6.2 Some improvements have been made to the presentation of the capital programme in order to enable more effective scrutiny for both Members and officers. Rather than include the full programme, which tends not to show any change in future years' budgets, the new format focuses on the delivery of live projects, thereby drawing attention to areas where slippage is likely to occur. The full, 5-year capital programme will continue to be monitored, with proposed changes to future years' budgets reported to Members as they arise.

6.3 Changes to the format of the capital programme include:

- Capital projects now split by OSC to provide Members with clearer information;
- Year-to-date expenditure is included as a guide to how robust the forecast outturn position might be;
- Potential slippage is distinguished from potential underspend on each project to identify the accuracy of the initial project costing, and the potential saving arising.

General Fund

6.4 As at 30 September 2012, the forecast capital outturn for the GF is £11.924m against a total budget of £14.940m. The variance of £3.016m comprises forecast slippage of £2.948m and net savings of £68k against original budget. Key components of the variance are analysed by OSC as follows:

6.5 **Finance and Resources** is forecasting a total variance of £162k (2.5%) against a budget of £6.562m. Key contributors are as follows:

Grants to Neighbourhood Centres (line 58) £50k slippage

This budget was approved to provide support for Neighbourhood Centres intending to carry out capital works. Payments are made on the basis of suitable application, and there have been fewer applications than anticipated at the time the budget was set.

Apsley Industrial Estate Box Gutter (line 62) £10k underspend

An alternative solution was found to this problem that avoided capital expenditure.

Hemel Hempstead Sports Centre Railings (line 74) £35k slippage

There is already a large number of contractors on site delivering the sports hall refurbishment, to increase that number further by delivering additional projects would start to cause disruption to the operations of the Sports Centre. This project will slip into next year.

Canal Fields Footbridge (line 76) £12.3k overspend

Rolling Programme – Hardware and Desktop Refresh (lines 97 & 103) net £56.4k overspend

The original budget was set prior to the initiation of the Dacorum Anywhere project, which has necessitated increased expenditure on laptops to further the Council's flexible working objectives.

Licence Agreements (lines 98 and 99) net £5.4k underspend

Negotiation of improved terms on the Enterprise Agreements (£17.8k) offset the overspend on Software (£12.5k).

ICT Consultancy (line 102) £20k underspend

This consultancy is not required and its removal from the programme will be recommended at the revised budget-setting exercise.

- 6.6 **Housing & Community** is forecasting a total variance of £2.272m (40%) against a budget of £5.649m. Key contributors are as follows:

Affordable Housing Development Fund (line 127) £1.6m slippage

This fund was made available to the Strategic Housing service to enable it to provide grants to Housing Association partners on application. It is unlikely that it will be used within 2012/13 due to a shortage of suitable projects

Hemel Gym refurbishment (line 128) £600k slippage

Around £600k on this project is now expected to slip into 2013/14 due to delays in the sports centre's procurement process.

CCTV System Upgrade (line 134) £12k forecast overspend

Costs have been revised up in response to receipt of further information. This represents a 2.4% increase.

Old Town Hall Refurbishment (line 135) £50k slippage

Slippage due to further investigation of planning restrictions that emerged following initial works to sink a disabled access lift into the basement.

External Electrical Supply to Town Centre (line 136) £33k underspend

- 6.7 **Strategic Planning & Environment** is forecasting a total variance of £582k (21%) against a budget of £2.729m. Key contributors are as follows:

Old Town Environmental Enhancements (line 163) £500k slippage

Awaiting County Council development plans to be brought forward.

Play Area Refurbishment programme (line 169) £25k slippage

Further Recycling Facilities for Flats (line 170) £57k underspend

This budget will be reviewed as part of the revised budget-setting process.

HRA

- 6.8 The HRA is currently forecasting to underspend against its major works capital programme by £316k (2%).