



Dacorum Borough Council
Budget Performance Monitoring 2011/12
(By Overview and Scrutiny Committee)



Budget Performance Monitoring: As at 31st December (Quarter 3)

Report To: Overview and Scrutiny Committee
From: Sally Marshall Corporate Director (Finance & Governance)
Date: 2 February 2012
Subject: Budget Monitoring 2011/12 (31December 2011 Quarter 3)

1. Introduction

- 1.1 This report outlines the forecast year-end position of the Council, based on data available as at 31st December 2011. It covers the following areas:
- General Fund Revenue Account
 - Housing Revenue Account (HRA)
 - Capital programme.
- 1.2 The forecast outturn position is the result of a month-end consultation process between Budget Holders and their Directorate Accountants.
- 1.4 All variance analysis is based on the original budget agreed by Full Council on 23 February 2011, updated to reflect any approved virements (movements within budget) since that date.

2. Forecast Working Balance – General Fund

- 2.1 The projected general fund service expenditure for the year is £20.482m compared to budgeted spending of £22.42m, an underspend of £1.938m. The effect of the forecast underspend is that the year-end movement on the working balances changes from a budgeted drawdown of £210k to a contribution to working balances of £1.799m.
- 2.2 The table on the following page illustrates the high-level position of each Committee within the overall context of the 2011/12 balanced budget.

***Dacorum Borough Council General Fund Budget Performance 2011/12
(By Overview and Scrutiny Committee)***

| | Adjusted Budget Full Year £'000 | Profiled Adj. Budget To Month 9 £'000 | Actual To Month 9 £'000 | Projected Out-Turn At Month 9 £'000 | Projected Variance Year-End £'000 |
|---|--|--|-------------------------------|--|--|
| Statement as at 31 December 2011 | | | | | |
| Environment | 9,235 | 6,908 | 4,049 | 9,270 | +35 |
| Resources | 9,192 | 6,824 | 14,721 | 7,682 | (1,510) |
| Social | 3,993 | 2,975 | 329 | 3,530 | (463) |
| General Fund Service Expenditure | 22,420 | 16,707 | 19,099 | 20,482 | (1,938) |
| Reversal of Capital Charges | (3,987) | | | (3,987) | +0 |
| Other Government Grants | (571) | | | (571) | +0 |
| Interest Receipts | (434) | | | (528) | (94) |
| Revenue Contributions to Capital | 1,596 | | | 1,596 | +0 |
| Contributions to / from Reserves | (2,206) | | | (2,183) | +23 |
| Contributions to / from Working Balance | (210) | | | 1,799 | +2,009 |
| | 16,608 | | | 16,608 | +0 |
| Met From: | | | | | |
| Revenue Support Grant | (1,576) | | | (1,576) | +0 |
| Redistributed Non-Domestic Rates | (5,098) | | | (5,098) | +0 |
| Council Tax Surplus | 42 | | | 42 | +0 |
| Requirement from Council Tax | (9,976) | | | (9,976) | +0 |
| | (16,608) | | | (16,608) | +0 |

2.3 Commentary on material variances by Scrutiny Committee

2.4 At a Corporate level, the underspend of £1.938m on the general fund is the combined effect of several items, of which the following are material:

- increased income of £400k (predominantly from recycling and commercial rents)
- savings in supplies and services of just over £300k
- timing differences relating to the Benefit Subsidy Grant (£300k)
- salary savings in the region of £500k. A breakdown of *net* salary savings (after redundancy and agency costs have been taken into account) by Committee is shown below:

| Committee | Projected Net Salary Savings £'000 |
|-------------|--|
| Environment | 79 |
| Resources | (543) |
| Social | (12) |

| | |
|-------|-------|
| Total | (476) |
|-------|-------|

2.5 The budget position as at the end of Quarter 3 can be analyzed further by Scrutiny Committee as follows:

Environment

2.6 The projected outturn is £9.27m, £35k higher than budgeted. Redundancy costs of £227k were incurred in Building Control but these costs have been offset primarily by increased recycling income – an overachievement of approximately £260k is anticipated.

Resources

2.7 The projected outturn is £7.682m, £1.51m lower than budgeted. Significant contributors to the under spend include:

- Salary savings in excess of £540k predominantly related to savings generated from Phase 2 restructuring
- Increases in commercial rents of £180k
- Savings on HR and training related costs of £73k
- Communications savings £34k

2.8 In addition to the items outlined there is a saving of £196k arising from the refinement of budget provision for Insurance.

2.9 Another factor explaining the underspend for the Resources Committee relates to the Benefits Subsidy Grant – namely an ‘apparent’ excess in subsidy received (£300k). This arises however, from timing differences between financial and admin systems which do ultimately converge. Work is currently under way to investigate / remedy this.

Social

2.10 The projected outturn is £3.53m, £463k lower than budgeted. Significant contributors to the under spend include:

- CCTV incomes not budgeted £380k
- Environmental health surplus revenues across various areas totaling £124k

3. Key Income Streams

3.1 Investment Income

3.2 The year-end outturn position is forecast to exceed the original budget by over £120k. The expected over achievement on interest is in line with higher than budgeted balances available for investment.

| | 2011/12 Original | 2011/12 Projected | 2011/12 Projected under/(over) recovery |
|--------------|---------------------|----------------------|--|
| | Budget £'000 | Interest £'000 | £'000 |
| General Fund | (434) | (528) | (94) |
| HRA | (140) | (170) | (30) |
| Total | (574) | (698) | (124) |

3.2 Other Key Income Streams

3.3 Other key income streams are summarised in the table below, complete with explanations for material forecast outturn variances.

| | 2011/12 Full Year Original Budget £'000 | 2011/12 Projected Income £'000 | 2011/12 Projected under/(over) Recovery £'000 |
|------------------------|--|---|---|
| Building Control | (492) | (364) | 128 |
| Development Control | (548) | (513) | 35 |
| Car Parking | (1,892) | (1,749) | 143 |
| Land Charges | (85) | (250) | (165) |
| Recycling Income | (907) | (1062) | (155) |
| | (3,924) | (3,938) | (14) |

- **Building Control £128k under-recovery** – Building control income has been relatively weak during the year. No direct reasons for this are apparent. A full review of the service is currently underway and this will culminate in a new fee schedule being implemented early in the new financial year which should result in increased charges for services based on a full re-costing of the service. Furthermore, costs have been trimmed substantially following the Phase 2 restructuring, thus mitigating some of the revenue shortfall.
- **Development Control £35k under recovery** – Although development revenues to the end of December were lower than budgeted there has been a slight improvement in January 2012. An improvement in quarter 4, and thus the year end position relative to budget is therefore a possibility. The

overall value of revenues achieved can be distorted throughout the year by the inclusion or absence of major applications.

- **Car Parking £143k under recovery** – Income from Car Parking is expected to be behind budget at the year end. This is in line with trends being reported by other Local Authorities and is linked to a reduction in usage.
- **Land Charges £165k over-recovery** – Land charges revenues were very conservatively budgeted for 2011/12 related to the issue of not charging for environmental type information. Although we are no longer charging for this information revenues are significantly higher than budgeted and are likely to remain so until a full re-costing of the service has been completed. Work is under way to re-evaluate all costing areas of the land charges service (planned to happen by the end of March) to determine if our current charges are compliant with the latest CIPFA guidance and CLG guidance.
- **Recycling Income £155k over-recovery** – Recycling income is on target for this point in the year. An over-recovery is expected to be achieved by year end due, mainly to favourable material prices.

4. Housing Revenue Account

- 4.1** The position on the Housing Revenue Account is presented on the table below. The closing balance predicted for the year end is £3.198m and so remains in line with the budget of £3.186m. As implied from the overall improvement in closing balances of £11k, there are no variations against key budget headings which are material in value.

| <u>Housing Revenue Account 2011/12</u> | Original Budget 2011_12 | Forecast Outturn 2011_12 | % Variance |
|--|------------------------------------|-------------------------------------|-------------------|
| <u>INCOME</u> | | | |
| Dwelling Rents Net of Voids | (45,925,570) | (46,003,080) | 0.2% |
| Non Dwelling Rents | (210,000) | (209,475) | -0.2% |
| Leaseholder Charges (ground rents and insurance) | (162,230) | (166,778) | 2.8% |
| Sale of houses - Mortgage interest | (15,750) | 1,060 | -106.7% |
| Other items of income (Commission on Water charges) | (264,150) | (276,116) | 4.5% |
| Housing Subsidy - Major Repairs Allowance | (8,285,250) | (8,285,250) | 0.0% |
| | (54,862,950) | (54,939,640) | 0.1% |
| <u>EXPENDITURE</u> | | | |
| Responsive Repairs | 1,775,000 | 1,775,000 | 0.0% |
| Void Repairs | 1,000,000 | 1,000,000 | 0.0% |
| Planned Maintenance | 3,641,000 | 3,637,963 | -0.1% |
| Other Repairs / Income | 1,932,360 | 2,148,667 | 11.2% |
| Housing Repairs (includes recovery of leaseholders repairs) | 8,348,360 | 8,561,630 | 2.6% |
| Revenue Contribution to Capital | 1,100,000 | 1,100,000 | 0.0% |
| Supervision & Management | | | |
| General Expenses | 5,528,820 | 5,311,392 | -3.9% |
| Special Expenses | 3,074,860 | 2,976,901 | -3.2% |
| Housing Futures - HRA | 720 | 0 | -100.0% |
| Supporting People - Transition | 115,000 | 115,000 | 0.0% |
| Rent, Rates, Taxes and other charges | 23,520 | 26,414 | 12.3% |
| Provision for Bad Debts | 200,000 | 200,000 | 0.0% |
| Housing Revenue Account Subsidy: | | | |
| Subsidy to Major Repairs Reserve - Gross of transition | 8,285,250 | 8,285,250 | 0.0% |
| Negative Subsidy - Payments to Secretary of State | 20,115,850 | 19,940,850 | -0.9% |
| Interest Payable on Self Financing Debt | 0 | 300,000 | - |
| Resource Accounting: | | | |
| Depreciation | 10,036,340 | 10,036,340 | 0.0% |
| Total Revenue Expenditure | 56,828,720 | 56,853,776 | 0.0% |
| Net Cost of HRA Services as included in the whole authority Income & Expenditure Account: | 1,965,770 | 1,914,136 | -2.6% |
| HRA services share of corporate and democratic core | 251,020 | 251,020 | 0.0% |
| Net Cost of HRA Services | 2,216,790 | 2,165,156 | -2.3% |
| Appropriations: | | | |
| Interest & Investment Income | (140,000) | (100,000) | -28.6% |
| Resource Accounting: | | | |
| Further Depreciation on Dwellings from MRR | (1,736,070) | (1,736,070) | 0.0% |
| Depreciation on Other Assets | (15,020) | (15,020) | 0.0% |
| Housing Revenue Account - Deficit | 325,700 | 314,066 | -3.6% |
| <u>Housing Revenue Account Balance</u> | | | |
| Opening Balance at 1 April | 3,511,725 | 3,511,725 | |
| Deficit for the year | (325,700) | (314,066) | |
| Closing Balance at 31 March | 3,186,025 | 3,197,659 | |

5. Capital Programme

- 5.1 Projected spend against the capital programme for projects sponsored by each Directorate is set out in the table below. The projected variance of 52% represents anticipated slippage on the programme at this stage. A revised Capital Strategy has been put into place which is designed to address slippage on the programme. The effects of this will not be realized until 2012/13, however.

| | Budget | Projected Outturn 31 March 2012 | Spend-v- Budget (Variance) | Variance (%) |
|--|---------------|--|----------------------------------|-----------------|
| | (£000) | (£000) | (£000) | (£000) |
| Performance , Improvement and Transformation | 5,240 | 1,895 | 3,345 | 64% |
| Housing and Regeneration | 8,691 | 1,335 | 7,356 | 85% |
| Finance and Governance | 5,377 | 1,279 | 4,098 | 76% |
| Total General Fund | 19,308 | 4,509 | 14,799 | 77% |
| Total Housing Revenue Account | 9,731 | 9,428 | 303 | 3% |
| Total (General Fund and HRA) | 29,039 | 13,937 | 15,102 | 52% |

- 5.3 The table above compares the original budget, plus any amendments agreed at Cabinet, with the predicted spend at the year end. The budgets identified to be re phased are still included in the original budget figures as the revised programme has not yet received approval. For a brief indication of the likely outturn figure, the revised budget for general fund projects is £5,656 against a projected spend of £4,423 giving a variance of 22%.

5.4 Major items contributing to variance (items exceeding £100k)

General Fund :

Performance, Improvement and Transformation

| | | |
|--|-----------|---|
| Environmental Data Collection System (EDCS) - Waste Services | 132,100 | The supplier has now been identified. The budget will not be spent this year and has been re phased into 2012/13 in the revised capital programme. |
| Purchase of Fleet Vehicles | 1,818,714 | Additional spend of £60k has been identified for 2011/12. Significant savings are expected at the end of the year with part of the budget expected to slip into 2012/13 (awaiting details of amount of slippage) |
| Play Area Refurbishment Programme | 310,000 | This is part of the IDP programme. Scrutiny and Cabinet approval is required before the procurement process can commence. Consequently the budget has been re phased into 2012/13 in the revised capital programme. |

| | | |
|--------------------------------|---------|---|
| Verge Hardening programme | 300,000 | The initial study and consultation are pending. The works are expected to commence in summer 2012 and therefore budget has been re phased into 2012/13. |
| Refurbishment of Youth Centres | 150,000 | This budget has been removed from the programme as the project has slipped for more than 2 years. A proposal has been resubmitted for inclusion in the revised programme. It has been included in years 2012/13 & 13/14 |

Housing and Regeneration

| | | |
|---|-----------|--|
| Renewable Energy, Maylands | 280,000 | A report was approved at Nov 11 Cabinet to utilise £130k for the installation of PV (Photo Voltaic) panels at Maylands Business Centre. £20k will be spent this year with balance re phased into 12-13. |
| Neighbourhood Centre Improvements (GAF) | 127,550 | A further £20k will be spent this year for works at Grovehill, the balance has been confirmed as slippage. |
| Heart of Maylands Facilitation | 1,000,000 | The budget has now been re phased into 12-13. |
| Two Waters Phase II (previously Environmental Education Centre) | 200,000 | The works are currently out to tender and will not commence this year. The budget has now been re phased into 12-13 in the revised capital programme. |
| Hemel Station Gateway | 300,000 | The budget has now been re phased into 12-13. |
| Town Centre regeneration (GAF) | 280,600 | This budget has been committed towards Marlowes Shopping Zone Improvement Strategy, Spend of £59k is anticipated for the current year and the remaining budget will be rephased into 2012/13 |
| Old Town Environmental improvements | 498,346 | Design is being agreed with HCC. It has been confirmed that the one-way work in the Old Town will not commence this year and therefore the budget has been re phased into 2012-13. The initial design fee has been paid. |
| Affordable Housing Development Fund | 1,600,000 | This budget, with the item below, has been provisionally allocated to 3 schemes; The Beehive Pub (14 units), Manor Farm, Markyate (14 units) and Park Lane, HH (80 units). It is not known when these schemes will progress further. |
| Funds for bringing forward Affordable Housing - Town Centre | 1,000,000 | This budget, with the item above, has been provisionally allocated to 3 schemes; The Beehive Pub (14 units), Manor Farm, Markyate (14 units) and Park Lane, HH (80 units). It is not known when these schemes will progress further. |

| | | |
|--|-----------|--|
| Funds for facilitation of Affordable Housing - within garage sites | 1,900,000 | £600k of this budget has been transferred to Axis Point. The remaining budget has been allocated to build up to 45 new affordable homes, the necessary land is currently being identified. |
| CSU Development | 130,579 | This budget has been removed from the revised programme as the project has slipped for more than 2 years. No new bid has been submitted. |

Finance and Governance

| | | |
|---|-----------|--|
| Disabled Access - Phase 4 | 143,272 | This budget was approved for disabled works at Charter Court, Kings Langley. The project is on hold until a decision has been made on the future of the building. If the works do not go ahead, the minor spend incurred in previous years will need to be charged to revenue. |
| Public Conveniences refurbishment | 406,047 | The specifications are complete and works will be tendered shortly. The project has been re phased into 12/13 and savings of £200k have been incorporated into the revised capital programme. |
| High Street Green Pavilion | 250,000 | Works are likely to slip into 12/13 |
| Old Town Hall | 250,000 | The works will not commence in 2012/13 and therefore the budget has been re phased into 12/13 with additional budget being made available. |
| Acquisition of an Investment Property | 1,000,000 | Reactive acquisition fund |
| Car Park Refurbishment Programme | 132,610 | Resurfacing work at Frogmore Street Car Park, Tring - due to start in Feb 2012. |
| Hemel Sports Centre - Gym Improvement works | 810,500 | The works will not commence until 2012/13 |
| Decent Homes in the Private Sector | 352,896 | The project is currently on hold whilst alternative ways of utilising the funding are investigated. |

Note: The schemes that are identified as “re phased” will be re profiled to 2012/13 in the revised capital programme (to Cabinet on 8 February 2012)

5.5 Savings

5.6 The following schemes have now been identified as ‘works not required’. These codes will be closed and the budgets removed from the revised capital programme and released back into the capital pool for reallocation.

| <u>Schemes</u> | <u>Budget</u> |
|--------------------------------------|----------------------|
| Bennettsgate Shopping Centre (BB041) | £ 58,983 |
| The Denes-Structural works (BB063) | £ 10,000 |
| 48, High Street (BB066) | £ 10,000 |
| 19 Hillfield Road (BB067) | £ 30,000 |
| The Heights Shopping Centre (BB032) | £ 28,995 |

- 5.7 The following schemes have now been completed. These codes can be closed and any savings released back into the capital/S106 pool for reallocation.

| <u>Schemes</u> | <u>Saving</u> |
|--|----------------------|
| Relocation of parking shop, Civic Centre (BB056) | £ 5,537 |
| Memorial Gardens, Tring (BE028) | £ 1,329 |
| Randalls Park, HH (BE024) – S106 | £ 3,599 |
| Margaret Lloyd Park (BE005) | £ 1,855 |
| Laptops for Councillors (BX002) | £ 4,946 |
| Old House planning requirement (BH300) – S106 | £45,277 * |

** Legal have confirmed that additional costs incurred in carrying out these works, such as officer time in managing the project, could be funded from the remaining S106 money subject to agreement from Sutton Affinity. Housing are to contact Sutton Affinity to obtain their agreement, the remaining monies are to be refunded back to them.*

5.8 Overspends

- 5.9 No major over-spends have been identified.

5.10 Housing revenue Account (HRA):

The HRA programme will be underspent overall by £302k which will need to be slipped in 2012/13. There are various over- and underspends which are largely an accumulation of the net impact of various works. The significant aggregate variances are:

| | |
|-----------------------------|-----------------------|
| - Aids & Adaptations | £73,937 |
| - Roofing – Chimneys | £131,084 |
| - Replace fascias & Soffits | - £40,000 (overspend) |
| - Lifts | £93,284 |
| - External Doors upgrade | - £45,000 (overspend) |