



AGENDA ITEM: 10

SUMMARY

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| Report for: | Finance and Resources Overview and Scrutiny Committee |
| Date of meeting: | 3rd September 2014 |
| PART: | 1 |
| If Part II, reason: | |

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|-------------------------|---|
| 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 | That Committee note the forecast outturn position. |
| 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. |

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|---|---|
| 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: | <p>GF – General Fund</p> <p>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 30th June 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 | |
| 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, provision was made in the 2014/15 budget to fund a one off deficit reduction payment of £745k (General Fund element). The payment however, was actually made in 2013/14 resulting in an underspend against the 2014/15 budget. The payment was to be funded from reserves and so there is no impact of the overall financial position. Cabinet will be asked to recommend to Council the transfer of the current service saving to the Pension Reserve is being requested.

In addition, the pension contribution rate is 16%. This is below the assumed rate for 2014/15 following the triennial review. Cabinet will be asked to recommend to Council the transfer of the service saving (£273k) to the Pensions Reserve is being requested.

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 will be asked to recommend to Council 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:

- £120k pressure within Revenues and Benefits for agency costs. Following a period of particularly high staff turnover and increased work volumes linked to the general economic downturn there are currently 3 agency FTE (6 FTE earlier in the year) to support the processing of benefit claims. This will be funded by unringfenced New Burdens grant income so does not impact on the wider financial provision.
- £32k linked to the redundancy of the Corporate Safety Health and Care Officer as part of the review and transfer of the Health and Safety Service from People to Regulatory Services. Cabinet will be asked to recommend to Council funding this from the Management of Change Reserve.
- £108k across services linked to the vacancy provision - a target set at 5% of direct salary costs for 2014/15. This position will continue to be monitored, but, in line with last years trend in natural staff turnover, an improvement is expected.

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 development and the budget is no longer required.

In addition, a provision to reflect a potential liability for legal costs 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.

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%)

£110k across services linked to the vacancy provision - a target set at 5% of direct salary costs for 2014/15. This position will continue to be monitored

This pressure is offset by the net 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 a 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 will be asked to recommend to Council an increase in revenue budget to 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 will need to be promoted to residents. The estimated costs of marketing (£45k) includes materials, leaflet distribution and roadshows.

Compostable liners for the new replacement bins will also need to 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 will be asked to recommend to Council an increase in revenue budget to meet this pressure (£109k) funded by a reduction in revenue contributions 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 from the beginning of this year which resulted in a peak 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 for the AFM. Work is currently underway to further assess the impact of the transition to co-mingled waste collection upon the model.
- £73k overachievement of income from recycling credits following an expected increase in tonnage post implementation. This reflects an increase in volume of just over 50%, but the actual increase is expected to be higher. Work to clarify the impact upon volumes is in-progress.

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.

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 significantly 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%)

£160K surplus due to Green Deal energy income being received that wasn't budgeted.

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:

- Cessation of planned repairs by Keepmoat has caused an expected overspend of £490k on responsive repairs.
- Overhead costs built into the base budget differ to the tendered rates, causing a projected pressure of £200k.

- An increase in the number of voids, and increased costs per repair for voids suggests a projected overspend of £300k.
- An increase in the number of drain blockages has led to an overspend on the drainage budget causing a projected pressure of £180K.

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 expected underspend relates to:

- Pension backfunding paid in 2013/14 – £210K.
- 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 employees budget of approximately £42K due delayed recruitment to four new posts.
- Housing Landlord Management - £44K saving due to Corporate Graduate post remaining vacant and over budgeted GM post.

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.

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 will be asked to approve a reduction in the capital programme and capital financing requirement. See section 4 above.
- £1,250k underspend on the Decant works, which following a decision to remain in the Civic Centre will now not go ahead.
- £80k pressure on works at the Old Town Hall due to higher than anticipated tender prices and increased complexity of works. Further pressure is expected due to delays.

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. This includes:

- £1m underspend on Planned Fixed Expenditure as discussed above (point 6.4). Cabinet will be asked to approve a reduction in the Capital Programme and capital financing requirement.
- £912k underspend relating to Strategic Acquisitions: The budget 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 in the financing of the capital program.

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.