



## AGENDA ITEM: 8

### SUMMARY

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| <b>Report for:</b>      | <b>Finance and Resources Overview and Scrutiny Committee</b> |
| <b>Date of meeting:</b> | <b>2 September 2015</b>                                      |
| <b>PART:</b>            | <b>1</b>   |
| If Part II, reason:     |  |

|                         |   |
|-------------------------|---|
| <b>Title of report:</b> | <b>Budget Monitoring Quarter 1 2015/16</b>  |
| Contact:                | Cllr Graeme Elliot, Portfolio Holder for Finance and Resources<br>David Skinner, Assistant Director (Finance & Resources)<br>Richard Baker, Group Manager (Financial Services)                                    |
| Purpose of report:      | To provide details of the projected outturn for 2015/16 as at Quarter 1 for the: <ul style="list-style-type: none"> <li>• General Fund</li> <li>• Housing Revenue Account</li> <li>• Capital Programme</li> </ul> |
| 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.       |
| Glossary of acronyms and any other abbreviations used in this report: | GF – General Fund<br>HRA – Housing Revenue Account |

## 1. Introduction

1.1 The purpose of this report is to outline the Council's forecast outturn for 2015/16 as at 30 June 2015. 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 provides an overview of the General Fund provisional outturn position, separating expenditure into controllable and non-controllable categories in order to focus scrutiny on those areas that officers are able to influence, i.e. the controllable.

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.

2.4 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

|                                  | Controllable Budget | Projected Outturn | Variance   |             |
|----------------------------------|---------------------|-------------------|------------|-------------|
|                                  | £000                | £000              | £000       | %           |
| Finance & Resources              | 10,623              | 11,102            | 479        | 4.5%        |
| Strategic Planning & Environment | 5,810               | 6,089             | 279        | 4.8%        |
| Housing & Community              | 1,101               | 1,128             | 27         | 0.5%        |
| <b>Total</b>                     | <b>17,534</b>       | <b>18,319</b>     | <b>785</b> | <b>4.5%</b> |

2.5 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<br>£000 | Projected Outturn<br>£000 | Variance   |             |
|---------------------|-----------------------------|---------------------------|------------|-------------|
|                     |                             |                           | £000       | %           |
| Employees           | 10,188                      | 10,461                    | 273        | 2.7%        |
| Premises            | 1,517                       | 1,564                     | 47         | 3.1%        |
| Transport           | 37                          | 37                        | 0          | 0.0%        |
| Supplies & Services | 4,570                       | 4,613                     | 42         | 0.9%        |
| Third-Parties       | 1,411                       | 1,464                     | 54         | 3.8%        |
| Income              | (7,101)                     | (7,037)                   | 64         | -0.9%       |
|                     | <b>10,623</b>               | <b>11,102</b>             | <b>479</b> | <b>4.5%</b> |

#### 3.1 Employees - £273k over budget (2.7%)

Pressure of £200k – This overspend relates to employee costs within the Revenues and Benefits service. £90k is linked to the vacancy provision, which is set at 5% of direct salary costs for 2015/16. The balance of £110k is due to the employment of additional staff to support the processing of benefit claims. £70k of unbudgeted grant income has been received from the Department of Work and Pensions in the form of New Burdens funding, which partially offsets the pressure. The service is currently exploring ways in which the remaining overspend can be brought back into line through the use of technology to improve productivity.

Pressure of £83k - A pressure across services is projected linked to the vacancy provision. This target is set at 5% of direct salary costs for 2015/16. This position will continue to be monitored.

Underspend of £10k – There is an underspend of £10k on the budget for the Digital Project Management Team Leader post, which is a 2 year post funded from the Technology Reserve. A budget of £60k has been included for year one of this post, however the requirement for 2015/16 is £50k.

#### 3.2 Premises - £47k over budget (3.1%)

Pressure of £30k – There is a pressure of £30k relating to Business Rates incurred by the Council on void commercial properties. The level of voids is kept under close review and, as new tenancies begin, this pressure may reduce. This will be monitored closely as the year goes on.

#### 3.3 Supplies & Services - £42k over budget (0.9%)

Pressure of £20k – There is a pressure on the budget for Public Conveniences relating to under-budgeting of the costs of cleaning.

Pressure of £13k – In 2014/15 the council commissioned Liberata to carry out a review of empty properties with a view to bringing these back into use, which will

attract New Homes Bonus. Over 200 properties were identified which were no longer empty. This work is ongoing and a further 30 properties have been brought back into use so far this financial year.

The Council has a requirement to replace 420 offices chairs at its main offices in Hemel Hempstead at a cost of £52,500. This requirement has arisen as a result of the move to hot-desk working across the authority. Many of the existing chairs are not fully adjustable to meet the needs of users. All chairs will transfer to the new office building, The Forum, when this building is operational. It is proposed that the purchase is funded from The Forum Reserve, in line with its approved use as set out in the Budget Report presented to Cabinet on 10 February 2015.

### 3.3 Third Parties £54k over budget (3.8%)

Overspend of £40k – Savings were put into the budget following the decision to review the Council’s payroll contract. Due to delays in the review, these savings will not be achieved in the expected timescale. It is envisaged that a new payroll contract will be in place by the beginning of next financial year.

Overspend of £14k – There is an overspend in Facilities Management costs due to higher than expected reactive works £8k and some additional overtime costs £6k.

### 3.4 Income £64k under budget (0.9%)

Pressure of £110k – The budgeted growth from Investment Property income has not been achieved as expected. An inflationary increase of 2.8% was applied to the budget, which may have been too ambitious given the economic climate continues to be challenging especially for small businesses.

Surplus of £45k – This surplus has arisen as a result of service charges being billed to Herts County Council following the relocation of the Hemel Hempstead Library into the Civic Centre.

## 4. Strategic Planning and Environment

| Strategic Planning and Environment | Controllable Budget<br>£000 | Projected Outturn<br>£000 | Forecast Variance |             |
|------------------------------------|-----------------------------|---------------------------|-------------------|-------------|
|                                    |                             |                           | £000              | %           |
| Employees                          | 7,965                       | 8,283                     | 319               | 4.0%        |
| Premises                           | 1,312                       | 1,299                     | (13)              | -1.0%       |
| Transport                          | 1,421                       | 1,540                     | 119               | 8.4%        |
| Supplies & Services                | 4,659                       | 4,590                     | (69)              | -1.5%       |
| Third-Parties                      | 121                         | 121                       | 0                 | 0.0%        |
| Income                             | (9,668)                     | (9,743)                   | (75)              | -0.8%       |
|                                    | <b>5,810</b>                | <b>6,089</b>              | <b>279</b>        | <b>4.8%</b> |

### 4.1 Employees - £319k over budget (4.0%)

Pressure of £195k – There is a pressure of £195k in the budget for Employees costs in Waste Services. A challenging savings target of £420k was put in to the

2015/16 Budget, based on efficiencies to be delivered through the new waste service which was introduced in November 2014. Only a portion of these savings are currently being achieved, as the new service is not proving to be as productive as expected. At the present time, 2 additional waste collection rounds are being required over and above the anticipated round structure. Work is ongoing to establish why this is the case, and bring the overspend back into line.

Levels of staff sickness are marginally higher than anticipated and a number of staff are on restricted duties. It is hoped that these employees will return to full duties in due course. Agency staff are being used to cover for absent staff, but they are typically not as experienced, efficient or motivated as the Council's own staff, and this has an effect on productivity. The new First Care system for reporting of sickness has been implemented on 1<sup>st</sup> August 2015, and this has been proven to reduce sickness levels in other Local Authorities where it has been introduced. In addition to this, work is underway to review the round structure and make any necessary changes to bring productivity levels back into line as quickly as possible.

Pressure of £124k – A pressure across services is projected as a result of the vacancy provision, which is set at 5% of direct salaries costs. In front-line areas such as Clean, Safe & Green, where service delivery is key, vacancies are filled quickly when they arise which has meant that the vacancy factor is not expected to be met. This position will continue to be monitored.

#### **4.2 Transport - £119k over budget (8.4%)**

Pressure of £119k – This pressure has arisen in Waste Services due to the need to hire additional vehicles. As mentioned above there are currently 2 additional waste collection rounds being put on over and above the planned rounds. There is also a vehicle on hire pending the purchase of a replacement vehicle through the capital programme.

#### **4.3 Supplies & Services - £69k under budget (1.5%)**

Underspend of £50k – There is an underspend in the Local Development Framework (LDF) budget of £50k. This is because the public examination into the LDF Core Strategy which was planned for 2015/16 is now not scheduled to take place until 2016/17. This budget is funded from the LDF reserve, so the contribution from reserves will be reduced by £50k resulting in no overall impact to the Council's budget.

Underspend of £50k – An underspend of £50k is expected in the Waste Services, as waste from Housing repairs is no longer being disposed of at Cupid Green depot. This is as a result of the new Housing repairs contractor Osborne disposing of waste externally. Although a variance is showing in controllable expenditure, this will be offset in full by a lower than budgeted recharge to the HRA. A decrease in recharge income has therefore been shown in the non-controllable section of the report at Appendix A.

#### **4.4 Income - £75k surplus (0.8%)**

Surplus £80k - Car parking income is expected to be above budget, comprised of three main elements: off-street car parking is forecast to achieve an additional £35k; on-street car parking is forecast to achieve an additional £25k, and on-

street penalty charge notices are expected to be over budget by £15k. These forecasts are based on current trends and historical information.

## 5 Housing and Community

| Housing & Community | Controllable Budget<br>£000 | Projected Outturn<br>£000 | Forecast Variance |             |
|---------------------|-----------------------------|---------------------------|-------------------|-------------|
|                     |                             |                           | £000              | %           |
| Employees           | 3,282                       | 3,367                     | 85                | 2.6%        |
| Premises            | 357                         | 315                       | (41)              | -11.6%      |
| Transport           | 39                          | 39                        | 0                 | 0.0%        |
| Supplies & Services | 1,619                       | 1,641                     | 22                | 1.3%        |
| Third Parties       | 36                          | 36                        | 0                 | 0.0%        |
| Income              | (4,233)                     | (4,270)                   | (38)              | 0.9%        |
|                     | <b>1,101</b>                | <b>1,128</b>              | <b>27</b>         | <b>2.5%</b> |

### 5.1 Employees - £85k over budget (2.6%)

Pressure of £40k – there is a pressure in Strategic Housing due to two posts being funded by grant income. The budgets will be realigned in due course to remove this variance, as the grant income has already been secured.

Pressure of £45k - A pressure of £45k across services is projected linked to the vacancy provision. This target is set at 5% of direct salary costs for 2015/16. This position will continue to be monitored.

### 5.2 Premises - £41k under budget (11.6%)

Underspend of £40k – In the Homelessness service, there have been savings in temporary accommodation costs arising from 2 key factors: firstly improved advice and prevention have led to a reduced need for temporary accommodation, and secondly, the Council has been using its own hostels at Leys Road and Woolmer Drive.

### 5.3 Supplies & Services - £22k over budget (1.7%)

Pressure of £20k - There is a projected overspend in the Homelessness service due to some additional cost for the hostels including CCTV monitoring at The Elms and beds and mattresses for both The Elms and Woolmer Drive.

### 5.4 Income - £38k surplus (0.9%)

Surplus of £36k – This surplus relates to grant income received by the Homelessness service to fund the pressure in Employees mentioned above. This variance will be tidied up in due course through the virement process.

## 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 2015/16 broadly in line with the budgeted balance of £2.9m.

### 6.3 Supervision and Management – £14k over budget (0.1%)

The relatively minor overspend of £14k is comprised of various different factors:

- £35k pressure as a result of contract staff being used to cover the Housing Development Manager post. This cost could potentially be capitalised, however as most of the HRA capital programme is funded from Revenue Contribution to Capital, the cost would ultimately be funded from the Revenue budget in any case.
- £20k pressure from agency staff being employed in the Voids team, over and above the budgeted establishment.
- £50k pressure in Property & Place largely due to vacancy provision not achieved.
- £30k saving in Tenants and Leaseholders and Supporting People as these areas are close to full capacity, and the agency budgets are not being utilised.
- £65k saving being forecasted as 2 posts for Mobile Cleaners are to remain vacant throughout 2015/16.

## 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 2016/17 rather than 2015/16, or conversely, where expenditure planned initially for 2016/17 will now be in 2015/16.

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<br>£000 | Projected Outturn<br>£000 | Rephasing<br>£000 | Variance   |             |
|----------------------------------|-------------------------|---------------------------|-------------------|------------|-------------|
|                                  |                         |                           |                   | £000       | %           |
| Finance & Resources              | 11,789                  | 11,120                    | (703)             | 34         | 0.3%        |
| Strategic Planning & Environment | 14,340                  | 11,668                    | (2,736)           | 64         | 0.4%        |
| Housing & Community              | 2,598                   | 2,800                     | 26                | 176        | 6.8%        |
| <b>G F Total</b>                 | <b>28,727</b>           | <b>25,588</b>             | <b>(3,413)</b>    | <b>274</b> | <b>1.0%</b> |
| <b>HRA Total</b>                 | <b>35,564</b>           | <b>35,673</b>             | <b>0</b>          | <b>109</b> | <b>0.3%</b> |
| <b>Grand Total</b>               | <b>64,291</b>           | <b>61,261</b>             | <b>(3,413)</b>    | <b>383</b> | <b>0.6%</b> |

## 7.2 General Fund Major Variances

There is an overall projected underspend of £3,139k on the General Fund. This is a combination of forecast overspending of £274k and slippage of £3,413k into 2015/16.

The projected net overspend of £274k is comprised of:

- Line 64: an overspend of £33k on Hemel Gym Refurbishment. The work on this project was completed in 2013 and £79k was slipped into financial year 2014/15 in anticipation of a final invoice. The project manager indicated that the project was complete and fully invoiced, and this slippage was incorrectly taken as a saving in 2014/15. This is now a pressure to the 15/16 budget.
- Line 142: an overspend of £170k on the Elms Hostel due to a number of fixtures and fittings such as a new kitchen, furniture and CCTV being agreed with Dens but falling outside of the main contract for the build. There have also been a number of unforeseen items associated with the building contract including Japanese knotweed, tree removal, ground obstructions and gas meter, which have added to the initial contract value. This variance will be funded from S106 receipts.
- Line 157: an overspend of £64k on Play Area Refurbishment budget due to additional sites being added to the programme which will be funded from allocated section 106 receipts.

The projected rephasing to future years of £3,413k includes:

- Line 54: slippage of £185k at Rossgate Shopping. This is a complex site as it is a mix of commercial properties, private housing and social housing. Consultations need to take place with tenants prior to any work commencing under Section 20 of the Tenants and Landlords Act. Contributions towards expenditure will be expected from private tenants. £15k is expected to be spent this financial year on design work, but the bulk of the structural work will now be in 2016/17.
- Line 59: £400k slippage on Berkhamsted Sport Centre roof. The work has not currently been scoped out, and at this stage it is unrealistic to expect spend to take place in 2015/16.
- Line 61: £30k slippage on Tring Sports Centre roof. Again the work has not currently been scoped out, and at this stage it is unlikely the spend will take place in 2015/16.
- Line 96: slippage of £70k on EIS replacement. A decision on EIS replacement will be taken when there is more clarity on whether the Herts Civil Service (Shared Service model) is to be implemented. There is obvious merit in waiting to understand whether this approach will be adopted, as this would facilitate an easier and cheaper HR system transition.
- Line 151: slippage of £76k on the Car Park Refurbishment project. The requirements for 2015/16 have been refined, and 3 car parks will be refurbished this financial year at a cost of £260k rather than the budgeted



£330k. Any unspent funds in 2015/16 will be carried forward to be used in 2016/17 for further car parks.

- Line 161: slippage of £1.66m on the Fleet Replacement Programme. The requirements of the service for communal properties are still being scoped out, and until this process has been carried out, it would be unwise to rush into a decision regarding purchasing, as the specification of the vehicles will be based on the methodology of collection chosen. A decision is expected towards the end of the summer, at which point the procurement process can begin. The build time for refuse vehicles is typically in excess of 6 months which will push the actual purchase into financial year 2016/17.
- Line 166: slippage of £300k on Urban Park. This project will not be completed in 2015/16 now due to other projects such as the Water Gardens taking priority.
- Line 172: slippage of £700k on Heart of Maylands. It is expected that £300k of this scheme will need to be allocated to Maylands Phase 1 Improvements scheme to complete this work. The remaining £700k has been earmarked to support the provision of highway access and infrastructure serving the Council's landholding on the Maylands Gateway. This will now not go ahead until 2016/17.

### **7.3 Housing Revenue Account Major Variances**

- Line 191: an overspend of £119k on the new build at Farm Place. This is due to a S106 payment to Herts County Council of £54k not having been budgeted. The remaining £65k is due to amendments to the specification of the build required by Planning, plus some minor adjustments to the original specification. A saving of £330k was reported last financial year as a result of the tender price being lower than budgeted, but this did not allow for the additional costs which have now come to light.
- Line 194 – 199: these lines relate to the HRA New Build programme. Budgets need to be realigned between new schemes and the New Build General line once the revised HRA Business Plan has been approved by Cabinet.