



Report for:	Cabinet
Date of meeting:	19 September 2017
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 1 2017/18
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>Authors: David Skinner, Assistant Director (Finance & Resources) Caroline Souto, Team Leader Financial Planning & Analysis</p>
Purpose of report:	<p>To provide details of the projected outturn for 2017/18 as at Quarter 1 for the:</p> <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Consider the budget monitoring position for each of the above accounts; 2. Recommend to Council approval of the revised capital programme to move slippage identified at Quarter 1 into financial year 2018/19 as detailed in Appendix C. 3. Recommend to Council approval of the supplementary budgets set out below. Details for these supplementary budgets are set out in the body of the report and have a net nil impact on the General Fund Working Balance:

	<ul style="list-style-type: none"> • Increase the Strategic Planning & Regeneration Employees budget by £60k • Increase use of the Dacorum Development reserve by £60k • Increase the Regulatory Services legal budget by £95k • Increase use of the Litigation reserve by £95k <p>4. Recommend to Council a supplementary Capital budget funded by grant for the Disabled Facilities Grants budget of £66k as per paragraph 9.3.</p>
Corporate objectives:	Delivering an efficient and modern council
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.
Health And Safety Implications	There are no health and safety implications.
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer</p> <p>-No further comments to add.</p> <p>Deputy S.151 Officer</p> <p>This is a Deputy Section 151 Officer report.</p>
Consultees:	<p>Budget Managers</p> <p>CMT</p>
Glossary of acronyms and any other abbreviations used in this report:	<p>GF – General Fund</p> <p>HRA – Housing Revenue Account</p>

1. Executive Summary

- 1.1 Projected General Fund revenue outturn - a surplus of £322k is forecast on the General Fund revenue account. This includes £400k of ongoing savings identified at outturn 2016/17, which have been factored into base budgets going forward.
- 1.2 Projected Housing Revenue Account outturn – a deficit of £233k is forecast. This deficit will be need to be met from earmarked reserves.
- 1.3 Projected Capital forecast General Fund – slippage of 28%. A revised capital programme to rephase schemes into 2018/19 as appropriate is proposed in this report.
- 1.4 Projected Capital forecast HRA – slippage of 21% on new build schemes. Schemes will be rephased into 2018/19 as above.
- 1.5 The report pack contains the following documents:
 - Appendix A – General Fund Summary Spreadsheet
 - Appendix B – HRA Summary Spreadsheet
 - Appendix C – Capital Programme
 - Appendix D – Tranche 1 Savings Monitoring Report

2. Introduction

- 2.1 The purpose of this report is to present the Council’s forecast outturn for 2017/18 as at 30 June 2017. The report covers the following budgets:
 - General Fund
 - Housing Revenue Account (HRA)
 - Capital Programme

3. General Fund Revenue Account

- 3.1 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).
- 3.2 The current budget is the original budget approved by Cabinet in February 2017, plus the following approved amendments:

Amendments	£000	Approved
2017/18 Original budget - cost of services	20,968	
Funding to support creation of Development Company	200	Council July 2017
2017/18 Current Budget - cost of services	21,168	

- 3.3 Appendix A provides an overview of the General Fund provisional outturn position. This is in a new format following financial reporting requirement changes

for the 2016/17 accounts. The key differences from the previous reporting format are as follows:

- Recharges are no longer included within a “non-controllable” section of the service reporting; instead these are shown on one line in the Transfers between Reserves / Funds section at the foot of the report.
- Capital charges are no longer included in a “non-controllable” section. These do not result in a cash charge to taxpayers.
- Housing Benefit payments and grant income are now shown within Finance and Resources income and expenditure (Transfer Payments and Other Income).
- Investment Property income and expenditure is shown separately on one line of the report. Variances will be addressed in the Finance and Resources section of the report, in line with the scrutiny committee responsibility.

3.4 Variances on corporate items

The forecast for Investment Income is showing a deficit of £137k. This is due to the reduction in the Bank of England base rate during 2016/17. This has been amended for future years in the Medium Term Financial Strategy presented to Cabinet in July 2017.

The forecast for grant income is showing a surplus of £60k due to additional new burdens grants which have been received. Included in this is £53k of funding relating to the revenues and benefits service, and an adjustment of £7k to prior year new homes bonus.

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

	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Finance & Resources	11,377	11,302	(75)	-0.7%
Housing & Community	1,744	1,632	(112)	-6.4%
Strategic Planning & Environment	8,047	8,063	16	0.2%
Total	21,168	20,997	(171)	-0.8%
Investment Property	(3,736)	(3,843)	(107)	2.9%
Non-controllable budgets	(16,607)	(16,541)	66	-0.4%
Earmarked Reserve movements	(826)	(936)	(110)	13.3%
Contribution (to)/from General Fund Working Balance	(1)	(323)	(322)	

3.6 The following sections provide an analysis of the projected outturn and major budget variances shown by Scrutiny area.

4. Savings for Financial Year 2018/19

4.1 A summary of the progress against 2018/19 savings proposals is shown below, with details of each saving proposal shown in Appendix D. Assistant Directors have signed off on the following classification of their projects:

- On track
- Delayed
- At Risk/Slipping

Savings Proposed	On Track	Delayed	At Risk
£1,038,000	£802,000	£27,000	£209,000

The savings proposals that are currently at risk/slipping total £209k or 20% of the overall savings requirement. These include:

- £31k in Strategic Planning and Regeneration – the original savings proposal are no longer considered viable. Equivalent savings could be found from increased volume of planning fees, but an increase of £115k on top of 2017/18 budgeted amount has already been allowed for.
- £30k Regulatory Services – review of the dog waste bin contract. This saving is slipping. More work is required to decide if this is slipping into 2019/20 or further.
- £50k Procurement – saving on the parking contract. Confirmation of the timing and implementation costs of the planned savings will need to be confirmed following the tendering of the new parking enforcement contract.

4.2 Additional savings of £141k have been identified by service managers for delivery during 2018/19 and will be monitored to assess their deliverability. This reduces the overall gap to £68k.

5. Finance and Resources

Finance & Resources	Current	Forecast	Variance	
	Budget £000	Outturn £000	£000	%
Employees	9,943	9,881	(62)	(0.6%)
Premises	2,025	1,998	(27)	(1.3%)
Transport	215	215	0	0.0%
Supplies & Services	4,002	4,159	157	3.9%
Third-Parties	533	561	28	5.3%
Transfer Payments	47,144	47,144	0	0.0%
Income	(4,901)	(5,072)	(171)	3.5%
Other Income	(47,584)	(47,584)	0	0.0%
	11,377	11,302	(75)	(0.7%)

5.1 Supplies & Services - £157k over budget (3.9%)

Pressure of £125k – Overall the budgeted savings in the Parking service are being achieved, however on the Supplies and Services line there is a pressure on the budget for the Parking Enforcement contract. Savings have been found in other areas within the Parking service, such as employees costs (£30k), and a surplus on parking income (see 4.2).

5.2 Income £171k over-achievement of income (3.5%)

Over-achievement of income of £125k – Parking income is forecast to exceed budget by £125k. This is in line with the overachievement in income realised last financial year, and is due to increased income from Council owned car parks and from on-street parking. There is also an increase against budget in income from residents' permits from newly created controlled parking zones.

5.3 Investment Property - £107k over-achievement of income (2.9%)

A surplus of income from Investment Property was realised in financial year 2016/17 as a result of turnover based rents on specific sites (£70k) and service charges (£30k) following efficiencies in the methodology for billing tenants. These are ongoing surpluses which can be factored into the base budgets going forward.

6. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	9,311	9,387	76	0.8%
Premises	955	996	41	4.3%
Transport	1,288	1,269	(19)	(1.5%)
Supplies & Services	1,910	2,008	98	5.1%
Third-Parties	80	80	0	0.0%
Income	(5,497)	(5,677)	(180)	(3.3%)
	8,047	8,063	16	0.2%

6.1 Employees - £76k over budget (0.8%)

Pressure of £60k – There is a pressure of £60k in the budget for Employee costs in Strategic Planning, due to a newly created post to support the production of a statutory brownfield land register. Government legislation came into force in March 2017, which requires local planning authorities to prepare and maintain registers of brownfield land (previously developed land which may be suitable for housing). Additional resource is required which had been previously estimated at £80k for 2017/18, but has been reduced to £60k. A new burdens grant of £15k was received in financial year 2016/17, which formed part of the overall surplus on the corporate grants budget in 2016/17.

Cabinet is requested to recommend to Council a supplementary budget of £60k funded from the Dacorum Development reserve.

6.2 Supplies & Services - £98k over budget (5.1%)

Pressure of £95k – A pressure of £95k is expected from legal costs in Regulatory Services relating to complex legal cases that the council is currently involved in. These costs can be met from the Litigation Reserve, in accordance with its terms of use.

Cabinet is requested to recommend to Council a supplementary budget of £95k funded from the Litigation reserve.

6.3 Income - £180k over-achievement of budget (3.3%)

6.3.1 Overachievement of income £100k - An additional £100k of income is forecast in the Planning Service from a high volume of planning applications. During the first half of 2016/17 following uncertainty in the housing market after the EU referendum, a decline in planning income was forecast. A reduction of £50k in the base budget was therefore factored into budget 2017/18. Current trends indicate that this was a temporary dip in the market rather than an ongoing one. It is proposed that this £50k reduction be removed from the base budget going forward.

6.3.2 Over-achievement of income £130k - An additional £100k of income is forecast as a result of incentive payments from Hertfordshire County Council

(HCC), to reward Dacorum for improvements in the rate of recycling. This is under the Alternative Financial Model (AFM) methodology. Although the AFM has been reviewed and the overall size of the fund has decreased, the share to Dacorum remains above the budgeted amount. In addition, a surplus of £30k is forecast in recycling credits, following improved co-mingled and green waste tonnages. These increases in income will be factored into the base budget going forward.

- 6.3.3 Under-achievement of income of £90k – A pressure of £90k has been identified in the Commercial Waste service. The decline previously seen in the number of customers has not improved, and a deficit in income is forecast. Work is ongoing to understand why customers have left the service. The pressure is offset slightly by a reduction in disposal fees of £20k, to give a net pressure of £70k.

7. Housing and Community

Housing & Community	Current Budget	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	2,698	2,741	43	1.6%
Premises	789	801	12	1.5%
Transport	16	18	2	12.5%
Supplies & Services	1,786	1,827	41	2.3%
Third Parties	578	578	0	0.0%
Transfer Payments	5	5	0	0.0%
Income	(4,128)	(4,338)	(210)	5.1%
	1,744	1,632	(112)	(6.4%)

7.1 Income - £210k over budget (5.1%)

Overachievement of income £120k - An additional £120k of income is forecast from Temporary Accommodation due to ongoing increases in demand. This follows a surplus achieved last financial year from Council owned properties managed by commercial assets, which are being used to maximise occupancy and to minimise expensive bed and breakfast provision for Housing. This increase will be factored into the base budget going forward.

8. Housing Revenue Account (HRA)

- 8.1 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.

- 8.2 The projected HRA balance at the end of 2017/18 is in line with the budgeted balance of £2.9m.

8.3 Dwelling Rents - £120k under budget (0.2%)

A pressure is forecast due to properties owned by the General Fund being used for Temporary Accommodation, rather than as budgeted for secured tenancies.

8.4 Tenants' Charges - £80k under budget (15.2%)

A deficit is expected in relation to the newly de-pooled service charges. Detailed calculations for setting rent and de-pooled charges have now been performed, and a shortfall is anticipated.

8.5 Contribution towards Expenditure - £90k overachievement of income (13.7%)

Additional income has been received for legal work carried out, such as issuing a deed of variation and lifting of restrictive covenants.

8.6 Supervision and Management - £105k over budget (0.9%)

A saving of £140k is expected in premises expenditure in Supported Housing, on building repairs, maintenance and utilities for Elderly Persons Dwellings. This is in line with a surplus reported in this area for the previous financial year.

Underspends are anticipated in salaries due to vacancies within the Housing Cleaning Service (£60k) and Supporting People (£80k).

A pressure of £374k is forecast on the Osborne pension liability, following the triennial pensions review. This is as a result of changes to pension regulations to consolidate bonus payments into pensionable pay.

8.7 Transfer to Housing Reserves - £233k under budget (0.9%)

The overall variance on the HRA is currently forecast to reduce balances by £233k. This will need to be funded from HRA earmarked reserves.

9. Capital Programme

9.1 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 2018/19 rather than 2017/18, or conversely, where expenditure planned initially for 2018/19 will now be in 2017/18.

Cabinet is requested to recommend to Council a revised capital programme for 2017/18 based on the detail at Appendix C.

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.

	Current Budget £000	Projected Outturn £000	Rephasing £000	Variance	
				£000	%
Finance & Resources	4,947	4,289	(646)	(12)	-0.2%
Strategic Planning & Environment	5,429	3,987	(1,595)	153	2.8%
Housing & Community	1,876	671	(1,205)	0	0.0%
G F Total	12,252	8,947	(3,446)	141	1.2%
HRA Total	43,310	33,694	(9,282)	(334)	-0.8%
Grand Total	55,562	42,641	(12,728)	(193)	-0.3%

9.2 General Fund Major Variances

There is an overall underspend of £3.305m on the General Fund. This is a combination of forecast overspend of £141k, and slippage of £3.446m (28%) into 2018/19.

The projected net overspend of £141k includes:

- Line 164: overspend of £184k on the Water Gardens, which is 5% of the overall project budget. This has arisen due to complexities with the project which have caused delays. Additional works and professional fees are therefore required to complete the project.

The rephasing to future years of £3.446m includes:

- Line 75: slippage of £270k on Berkhamsted multi-storey car park. It is envisaged that the contract will be awarded in November, with mobilisation and setup commencing in January allowing the contractor be on site from February.
- Line 97: slippage of £126k on Future Vision of CRM. This project is to develop an in-house solution for CRM from January 2018 when the existing contract with Northgate will cease. Due to recruitment challenges, a portion of the budget will be required in 2017/18 with the balance being in 2018/19.
- Line 120: accelerated spend of £100k on the Verge Hardening Programme. With the future sites having been identified and agreed, the project team have the capacity to deliver more of the programme in this financial year.
- Line 125 and 126: slippage of £1.06m on the Garage Development scheme. It has not been possible to move as quickly as intended on this project, due to a need to carry out a full re-scoping of the project following feedback from Planning.
- Line 127: slippage of £250k on Wood House fit out. As per section 8.4 below, there is a delay to the new build scheme at Wood House, which means that the site will not be complete in 2017/18 to allow for the fit out to take place.
- Line 152: slippage of £1.565m on Fleet Replacement Programme. There has been a delay in the replacement of eight refuse collection vehicles due to the

ongoing review of potential changes to collection methods which would incorporate the addition of an increased flats recycling service. The outcome of the review will determine which vehicles are required to deliver the service and investment in the appropriate assets. There are also two loading shovels scheduled for replacement in this year, that are being rephased into 2018/19, as they are deemed to be in good working condition and not incurring significant revenue costs to maintain at this point in time.

9.3 Supplementary Budget for Disabled Facilities Budget funded from additional grant

- Line 156: The disabled facilities budget is fully funded through grant funding received by the Council. Following the formal grant notification for 2017/18, Cabinet is requested to recommend to Council a supplementary budget of £66k to match the increased grant award. This will increase the annual budget to £741k.

9.4 HRA Major Variances

There is an underspend on the HRA capital programme of £9.6m.

- Line 193: slippage of £2.3m on New Build General. This budget has been set up for the purchase of land for future developments. It is expected that £4m of the budget will be spent this financial year, with slippage of £2.3m.
- Line 194: slippage of £1.5m on Martindale. This project is approximately 12 months delayed, mainly due to extensive consultation and feedback from residents which resulted in significant changes to the design and layout of the scheme before resubmitting for planning approval. The planning application has now been submitted against an original plan to have it submitted last year.
- Line 195: slippage of £2.4m on Wood House. Work did not start on site in November 2016 as originally planned but started May 2017. This was largely due to two reasons: firstly, protracted contract negotiations and agreeing amendments to satisfy insurance requirements and secondly, the contractor requested further time to check ground conditions and undertake soil testing, to mitigate against the possibility of sink holes. This resulted in a requirement to enhance the foundation design which delayed the start on site.
- Line 196: slippage of £2.7m on Stationers Place. Works have not started on site yet against a planned date of October 2016. This was due to an extensive amount of unforeseen issues in the ground and requirements of the Environment Agency. There are ongoing issues which are being worked through concerning existing utilities, bore holes, culvert repairs, aquifer layers, foul drainage connections and rights of way.
- Line 198: underspend of £334k on Able House. The scheme has been delivered within the overall project budget as the full contingency sum was not required.
- Line 200: slippage of 457k on Swing Gate Lane. This scheme is in 2 parts: firstly, the build of new housing units, and secondly, the conversion of existing buildings into housing. The conversion work will be procured separately once the new build element is complete, and there will be no spend on this element in financial year 2017/18.