



Report for:	Cabinet
Date of meeting:	28 November 2017
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 2 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 2 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 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 Car Parking supplies and services budget by £39k • Increase use of the On-Street Car Parking reserve by £39k

	<ul style="list-style-type: none"> • Increase the Health and Safety Employees budget by £44k and the Health and Safety Supplies and Services budget by £31k • Increase use of the Management of Change reserve by £75k <ol style="list-style-type: none"> 3. Recommend to Council a supplementary Capital budget funded by “One for One” receipts of £2.573m for the Affordable Housing Development fund. 4. Recommend to Council a supplementary Capital budget of £25k funded by grant for Play Area Refurbishment Programme. 5. Recommend to Council a supplementary Capital budget of £65k for new Vehicle Wash at Cupid Green on the grounds of health and safety.
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	Health and safety implications are set out in the report.
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:	GF – General Fund HRA – Housing Revenue Account
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1. Executive Summary

- 1.1 Projected General Fund revenue outturn - a surplus of £196k 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 £431k is forecast. This deficit will need to be met from earmarked reserves.
- 1.3 Projected Capital forecast General Fund – slippage of 1.5%.
- 1.4 Projected Capital forecast HRA – slippage of 1.8%.
- 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

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

3. General Fund Revenue Account

- 1.7 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).
- 1.8 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
Legal costs Regulatory Services	95	Council September 2017
Brownfield Land Register employees costs	60	Council September 2017
Increased budget recharged to HRA	44	Council September 2017
2017/18 Current Budget - cost of services	21,367	

1.9 Appendix A provides an overview of the General Fund provisional outturn position.

1.10 Variances on corporate items

The forecast for Investment Income is showing a deficit of £115k. 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 £105k due to additional new burdens grants which have been received. Included in this is £70k of funding relating to the revenues and benefits service, and an adjustment of £7k to prior year new homes bonus.

1.11 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	11,470	11,433	(37)	-0.3%
Housing & Community	1,744	1,650	(94)	-5.4%
Strategic Planning & Environment	8,153	8,276	123	1.5%
Total	21,367	21,359	(8)	0.0%
Investment Property	(3,736)	(3,798)	(62)	1.7%
Non-controllable budgets	(16,651)	(16,662)	(11)	0.1%
Earmarked Reserve movements	(981)	(1,095)	(114)	11.6%
Contribution (to)/from General Fund Working Balance	(1)	(196)	(195)	

1.12 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

1.13 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	£924,000	-	£114,000

The savings proposals that are currently at risk/slipping total £114k or 11% of the overall savings requirement. These include:

- £58k in Strategic Planning and Regeneration and Development Management. The original savings proposals are no longer considered viable, however equivalent proposals have been put forward from increased income at Maylands Business Centre (£35k) and additional Planning income (£25k).
- £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.

1.14 Additional savings of £87k 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 £27k.

5. Finance and Resources

Finance & Resources	Current	Forecast	Variance	
	Budget	Outturn	£000	%
	£000	£000		
Employees	10,035	9,950	(85)	(0.8%)
Premises	2,041	2,048	7	0.3%
Transport	215	219	4	1.9%
Supplies & Services	3,992	4,166	174	4.4%
Third-Parties	533	546	13	2.4%
Transfer Payments	47,144	47,144	0	0.0%
Income	(4,906)	(5,056)	(150)	3.1%
Other Income	(47,584)	(47,584)	0	0.0%
	11,470	11,433	(37)	(0.3%)

1.15 Supplies & Services - £174k over budget (4.4%)

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 5.2).

Pressure of £39k – A pressure is forecast in the Parking service for 2 new controlled parking zones. This can be funded from the earmarked reserve for on-street car parking, in accordance with its terms of use.

Cabinet is requested to recommend to Council a supplementary budget of £39k funded from the On-Street Car Parking reserve.

1.16 Income £150k over-achievement of income (3.1%)

Over-achievement of income of £125k – Parking income is forecast to exceed budget by £125k. This is in line with the over-achievement in income realised last financial year, and is due to increased income from Council owned car parks and from on-street parking.

1.17 Investment Property - £62k net over-achievement of income (1.7%)

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	9,322	9,424	102	1.1%
Premises	991	1,030	39	3.9%
Transport	1,288	1,265	(23)	(1.8%)
Supplies & Services	1,987	2,170	183	9.2%
Third-Parties	80	80	0	0.0%
Income	(5,515)	(5,693)	(178)	(3.2%)
	8,153	8,276	123	1.5%

4.1 Employees - £102k over budget (1.1%)

Pressure of £120k – There is a pressure of £120k in the budgets for Employee costs in Building Control and Planning, due to ongoing recruitment issues. Vacant posts are being covered by agency staff, who are more expensive than the Council's own staff. Trainees have been recruited in Building Control to try to

address recruitment issues, however there is still a need for agency staff in the medium term.

Pressure of £44k – A pressure has arisen in the Health and Safety service due to additional staffing requirements to ensure compliance.

Cabinet is requested to recommend to Council a supplementary budget of £44k funded from the Management of Change reserve.

4.2 Supplies & Services - £183k over budget (9.2%)

Pressure of £75k – A pressure of £75k has arisen in Strategic Planning and Regeneration from initial feasibility work on the proposed conversion of The Bury into a museum. Feasibility costs cannot be treated as capital expenditure in the evaluation stage of a project, and these costs have been treated as revenue expenditure accordingly.

Pressure of £31k – A pressure has arisen in the Health and Safety service from current compliance work taking place.

Cabinet is requested to recommend to Council a supplementary budget of £31k funded from the Management of Change reserve.

Pressure of £30k – A budget of £100k funded from reserves for digitalisation of planning microfiche data, was approved in financial year 2016/17. Some of this expenditure has been incurred in 2017/18, which will be met from the approved reserve in this financial year.

4.3 Income - £178k over-achievement of budget (3.2%)

Overachievement of income £150k - An additional £150k 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.

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.

Under-achievement of income of £90k – An under-achievement of £90k is expected in the Commercial Waste income budget. The overall budget for income is £1.07m, however an income stream of £980k is now expected. The

decrease is due to a number of customers choosing other waste providers for commercial reasons.

Measures have been taken to review and optimise the round structure to ensure that collection is taking place in the most effective way, and the service as a whole is expected to contribute a net surplus of circa £100k.

7. Housing and Community

Housing & Community	Current Budget	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	3,164	3,271	107	3.4%
Premises	789	815	26	3.3%
Transport	17	14	(3)	(17.6%)
Supplies & Services	1,865	1,880	15	0.8%
Third Parties	245	245	0	0.0%
Transfer Payments	5	5	0	0.0%
Income	(4,341)	(4,580)	(239)	5.5%
	1,744	1,650	(94)	(5.4%)

4.4 Employees - £107k over budget (3.4%)

Pressure of £50k – A pressure has arisen in Strategic Housing due to a member of staff being seconded to The Elms homeless hostel. This is being recovered with no overall cost to the Council as set out below.

4.5 Income - £239k over-achievement of budget (5.5%)

Over-achievement 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.

Overachievement of £50k – Salary costs of a member of staff seconded to The Elms hostel are being recovered as set out above.

8. Housing Revenue Account (HRA)

4.6 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.

4.7 The projected HRA balance at the end of 2017/18 is £431k under the budgeted balance of £2.9m, at £2.5m.

4.8 Dwelling Rents - £126k under budget (0.2%)

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

4.9 Tenants' Charges - £100k under budget (18.9%)

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.

4.10 Contribution towards Expenditure - £125k overachievement of income (19.1%)

Additional income is being received for legal work carried out, such as issuing a deed of variation and lifting of restrictive covenants. This relates to certain properties in the borough, where there are restrictions over the land owned by the Housing Revenue Account, and charges are made for the lifting of these restrictions.

4.11 Supervision and Management - £254k over budget (0.9%)

A pressure of £425k 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.

A pressure of £100k is forecast for anticipated feasibility works on the new build programme. This is essential preparatory work in order to identify viable new build sites.

A pressure of £90k is forecast in the Tenants and Leaseholders service in two particular areas: firstly legal costs are higher than anticipated due to a high volume of legal cases; in addition bank charges have exceeded the budgeted position due to the council's provider changing their charging mechanism for debit cards from a flat fee to a percentage basis.

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 Property and Place service (£100k), in the Supporting People service (£100k) and also in the Housing Cleaning service (£40k).

4.12 Transfer to Housing Reserves - £431k under budget

The overall variance on the HRA is currently forecast to reduce balances by £431k. This will need to be funded from HRA earmarked reserves.

9. Capital Programme

4.13 Appendix C shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny area.

The current budget is the original budget approved by Cabinet in February 2017, plus approved amendments, including re-phasing of the slippage identified at Quarter 1 into 2018/19.

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.

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	4,324	3,683	(70)	(571)	-13.2%
Strategic Planning & Environment	4,159	4,108	(20)	(31)	-0.7%
Housing & Community	647	3,181	(44)	2,578	398.5%
G F Total	9,130	10,972	(134)	1,976	21.6%
HRA Total	34,028	33,311	(603)	(114)	-0.3%
Grand Total	43,158	44,283	(737)	1,862	4.3%

4.14 General Fund Major Variances

There is an overall increase in projected spend of £1.84m on the General Fund. This is a combination of forecast overspend of £1.98m, and slippage of £0.13m into 2018/19.

The projected net overspend of £1.98m includes:

- Line 46: underspend of £630k on the Demolition of the Civic Centre. The tender for demolition of the Council's former offices was awarded in September 2017, and as per the current estimates, a budget underspend is expected.
- Line 122: Affordable Housing Development fund. A grant of £2.573m has been made to Hightown Praetorian and Churches Housing Association to contribute towards the provision of affordable homes in the borough. This is funded from receipts from the sale of council houses under the Right to Buy policy, known as "One for One" receipts.

Cabinet is requested to recommend to Council creation of a supplementary capital budget of £2.573m funded from "One for One" receipts.

4.15 Additional Budget Requirements

- Play Area Refurbishment Scheme – grant funding of £25k has been received from Flamstead Parish Council to partially fund a play area in the parish. A supplementary capital budget is requested to increase the budget to reflect this new funding.

Cabinet is requested to recommend to Council a supplementary capital budget of £25k funded from grant.

- Vehicle Wash at Cupid Green – a health and safety issue has arisen due to the current vehicle wash at Cupid Green being unusable and beyond repair. The equipment is required to ensure that the Council's fleet of waste vehicles adhere to the necessary health and safety standards. Refuse collection vehicles operate in dirty and odorous conditions collecting residual and food waste. It is imperative to keep the vehicles clean to ensure the health and welfare of the waste operators and vehicle technicians. This issue has now become urgent and the vehicle wash requires replacing this financial year.

Cabinet is requested to recommend to Council a supplementary capital budget of £65k.

4.16 HRA Major Variances

There is an underspend on the HRA capital programme of £0.7m.

- Line 181: slippage of £400k Planned Fixed Expenditure (DBC Commissioned Capital Works). This is due to the re-profiling of budget priorities in year to safeguard ongoing compliance works following the Grenfell Tower tragedy.
- Line 187: overspend of £135k on Aspen Court. A further payment to the contractor is due in 2017/18 and additional work to improve security has been carried out.
- Line 190: accelerated spend of £1.2m on Wood House. As part of the re-phasing of the budget which took place at Q1, £2.4m was re-profiled into 2018/19. The latest forecasts indicate that £1.2m will in fact be required in 2017/18.
- Line 191: slippage of £1.1m on Stationers Place. Although budget of £2.7m was re-profiled into 2018/19 at Q1, a further £1.1m is now expected to be incurred later than expected. This is due to ongoing issues which are being worked through, concerning existing utilities, bore holes, culvert repairs, aquifer layers, foul drainage connections and rights of way.
- Line 193: underspend of £250k on Able House. The scheme has been delivered within the overall project budget as the full contingency sum was not required.
- Line 195: slippage of £331k on Swing Gate Lane. £450k, which was earmarked for the conversion part of the project, was re-profiled into 2018/19 as part of the re-phasing which took place at Q1. A further £331k is now forecast to slip into 2018/19. This is due to additional time taken to mobilise the ground works due to planning requirements.