



**AGENDA ITEM:
SUMMARY**

Report for:	Cabinet
Date of meeting:	18 September 2018
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 1 2018/19
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>Nigel Howcutt, Assistant Director (Finance & Resources)</p> <p>Fiona Jump, Group Manager, Financial Services</p>
Purpose of report:	<p>To provide details of the projected outturn for 2018/19 as at Quarter 1 for the:</p> <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	<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 2019/20 as detailed in Appendix C. 3. Recommend to Council approval of the draw down of reserves previously agreed by Cabinet. Details are set out below: <ul style="list-style-type: none"> • Draw down £165k from Capital Development reserve to fund Development Company (DevCo) phase 1 costs incurred. • Draw down £70k from On-Street Car Parking reserves to cover costs of ongoing parking zone consultation.

	<p>4. Recommend to Council approval of supplementary capital budgets.</p> <ul style="list-style-type: none"> • Capital budget of £15k for Gadebridge Park Walled Garden irrigation system • Capital budget of £34k for Warners End Community Centre heating and door improvement works <p>5. Approval of the virements detailed in Appendix D.</p> <ul style="list-style-type: none"> • Virement to transfer the budget for the debt recovery function from Legal Services to Financial Services • Virement for the purpose of realigning capital budgets in order to deliver recycling facilities at flats • Virement for the purpose of realigning the car parking budget to reflect new cashless parking system
Corporate objectives:	Delivering an efficient and modern council.
Implications:	<p><u>Financial</u> This reports outlines the financial position for the Council for 2018/19 and so summarises the financial implications for service decisions expected to be made for the financial year.</p> <p><u>Value for Money</u> Regular budget monitoring and reporting supports the effective use of the financial resources available to the Council.</p>
Risk Implications	This reports outlines the financial position for the Council for 2018/19 and in so doing quantifies the financial risk associated with service decisions expected to be made for the financial year.
Community Impact Assesment	The content of this report does not require a Community Impact Assessment to be undertaken.
Health And Safety Implications	There are no Health and Safety implications arising from this report.
Statutory Officer Comments:	<p>Section 151 Officer: Comments included within the body of this report.</p> <p>Monitoring Officer: No comments to add to the report.</p>
Consultees	The position reported within this report has been reviewed and

	discussed with relevant Council Officers.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account

1. Introduction

1.1 The purpose of this report is to present the Council's forecast outturn for 2018/19 as at 30 June 2018. The report covers the following budgets with associated appendices:

- General Fund – Appendix A
- Housing Revenue Account (HRA) – Appendix B
- Capital Programme – Appendix C
- Virement Report – Appendix D

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).

2.2 Appendix A provides an overview of the General Fund forecast outturn position. In summary, there are various areas of both under and overspends which broadly offset each other. The net overall pressure of £719k is largely attributable to the forecast pressure on recycling income, following the impact on global markets of change in Chinese government policy on the amount of recyclates it will allow into the country.

The table below outlines the service areas with a significant financial pressure:

Scrutiny Committee	Key Financial Pressure	Description
Strategic Planning & Environment	£500k	Waste recycling income
Strategic Planning & Environment	£200k	Building Control service
Housing & Community	£160k	Garage income

2.3 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	12,968	13,051	83	0.6%
Housing & Community	793	949	156	19.7%
Strategic Planning & Environment	7,677	8,272	595	7.8%
Total	21,438	22,272	834	3.9%
Investment Property	(4,103)	(4,040)	63	-1.5%
Core Funding	(17,342)	(17,520)	(178)	1.0%
Contribution (to)/from General Fund Working Balance	(7)	712	719	

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

3. Finance and Resources

Finance & Resources	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	9,975	9,983	8	0.1%
Premises	1,876	1,830	(46)	(2.5%)
Transport	215	233	18	8.4%
Supplies & Services	3,710	3,964	254	6.8%
Third-Parties	594	649	55	9.3%
Transfer Payments	47,144	47,144	0	0.0%
Income	(4,676)	(4,636)	40	(0.9%)
Other Income	(47,584)	(47,584)	0	0.0%
Earmarked Reserves	1,714	1,468	(246)	(14.4%)
	12,968	13,051	83	0.6%

3.1 Supplies & Services - £235k over budget and Earmarked Reserves - £235k under budget

This relates to costs incurred through the Development Company project and on controlled parking zone consultations. Cabinet agreed the creation of reserves in 2017/18 to fund these projects. This paper has recommended the drawdown of £235k of these reserves as approved by Cabinet to meet the costs incurred.

3.2 Income - £40k under-achievement of income

Pressure of £40k – other income sources are forecast at £40k below budget. This includes service charge income relating to the Forum, attributable to budgets being set for 2018/19 prior to the full year operating costs being known.

4. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	9,687	9,682	(5)	(0.1%)
Premises	864	892	28	3.2%
Transport	1,201	1,167	(34)	(2.8%)
Supplies & Services	1,915	2,500	585	30.5%
Third-Parties	88	80	(8)	(9.1%)
Income	(5,898)	(5,869)	29	(0.5%)
Earmarked Reserves	(180)	(180)	0	0.0%
	7,677	8,272	595	7.8%

4.1 Supplies and Services - £585k over budget

Pressure of £500k – There is a pressure relating to the cost of disposal of co-mingled waste. This is due to a recent decline in the global market for recycled material.

There are other minor forecast overspends within this category of expenditure.

4.2 Transport

There are potential overspends coming from waste services as a result of the ageing fleet. Hire costs and repair costs are under close review and any overspends will be highlighted once these are confirmed.

4.3 Income - £29k under-achievement of budget

Pressure of £100k – Income relating to the Building Control service is forecast to be £100k below budget due to decline in customer numbers for the service. Action is being taken to market the service better to address this.

Pressure of £100k - Commercial Waste is forecast to be £100k below budget due to an ongoing decline in customer numbers.

Pressure of £61k - Income relating to Land Charges is forecast at £61k below budget.

Over-achievement of income £97k - Development Control is forecast to achieve £97k over its target income as a result of the volume of planning applications.

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

5. Housing and Community

Housing & Community	Current Budget	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	3,680	3,717	37	1.0%
Premises	905	918	13	1.4%
Transport	17	19	2	11.8%
Supplies & Services	1,722	1,735	13	0.8%
Third Parties	0	0	0	0.0%
Transfer Payments	55	55	0	0.0%
Income	(5,080)	(5,039)	41	0.8%
Earmarked Reserves	(506)	(456)	50	9.9%
	793	949	156	19.7%

5.1 Income - £41k under-achievement of income

Pressure of £160k - There is a shortfall against income targets relating to garages rental income of £160k. £90k of this shortfall is a continuation of under-achievement of income in the previous financial year. £70k of the shortfall is due to an increase in the number of void garages.

Overachievement of income £180k - The pressure above is offset by net additional income over budget relating to Temporary Accommodation of £180k. The Council's own properties are being used to house tenants on a temporary basis rather than more expensive bed and breakfast accommodation.

There are other minor shortfalls against income targets elsewhere in the service, including CCTV.

6. Corporate items/Core Funding

There is a pressure against investment properties of £63k arising from building works to properties to protect income and business rates relating to void properties.

There is additional income of £178k against core funding budgets linked to new burdens and additional government allocations. This includes £60k of funding relating to the Revenues and Benefits service, £64k of new burdens funding relating to the Planning service and £24k additional new homes bonus.

7. Housing Revenue Account (HRA)

7.1 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.

7.2 The projected HRA balance at the end of 2018/19 is £37k under the budgeted balance of £2.9m.

7.3 Tenants Charges/Supervision and Management - £84k overachievement of income, offsetting expenditure pressure

Water charges are being incurred for sheltered schemes and being recharged to tenants through itemised billing.

7.4 Other charges - £36k over budget

The cost of council tax relating to void properties is driving a pressure of £36k. The level of void properties is projected to be higher than that assumed at the time of budget setting.

8. Capital Programme

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

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

The current budget is the original budget approved by Cabinet in February 2018, plus additional slippage identified at year end 2017/18 and approved amendments.

The 'Slippage' column refers to projects where expenditure is still expected to be incurred, but it will now be in 2019/20 rather than 2018/19. It is recommended that slippage identified at Quarter 1 be formally re-phased to 2019/20.

The 'Variance' column refers to projects which are expected to come in under or over budget and projects which are no longer required.

	Current Budget £000	Slippage £000	Revised Budget £000	Forecast Outturn £000	Variance	
					£000	%
Finance & Resources	8,799	(388)	8,411	8,433	22	0.3%
Strategic Planning & Environment	6,920	(1,734)	5,186	4,957	(229)	-3.3%
Housing & Community	8,748	(655)	8,093	8,093	0	0.0%
G F Total	24,467	(2,777)	21,690	21,483	(207)	-0.8%
HRA Total	39,024	(3,811)	35,213	35,213	0	0.0%
Grand Total	63,491	(6,588)	56,903	56,696	(207)	-0.3%

8.2 General Fund Major Variances

The projected net underspend of £207k includes:

- Line 128: £125k underspend on Berkhamsted Sports Centre roof. The full budget of £250k is not required on this project, as a solution to extend the life of the roof by a further 20 years has been found at better value.

The slippage to future years is detailed in Appendix C. This includes:

- Line 48: slippage of £200k on Rossgate structural works. The scheme has been split into two phases due to the different levels of complexity of the works. Phase 1, window replacement will take place in 2018/19 as planned as the works are of a standard nature. Phase 2 will take place in 2019/20 due to the higher level of complexity in the design and planning stages.
- Line 85: slippage of £155k on the CRM project. There has been a delay in the delivery of this project as it has not been possible to recruit the necessary temporary resource. A thorough review of the project has resulted in re-phasing of the budget to reflect the more likely pattern of work.
- Line 117 and 118: slippage of £615k on the garage development projects Westerdale and Northend. The phasing of this project has changed from when the budget was set due to slight delays in the scheme.
- Line 129: slippage of £550k on Dacorum Athletics Track. The Council is currently out to consultation on the proposed location of this facility.
- Line 147: slippage of £1m on Fleet Replacement. There has been a further delay in the replacement of seven refuse collection vehicles. Following a review of the requirements of the service, a decision has been made as to the type of vehicles required, however due to the build time of these vehicles they will not be ready for use until 2019/20.

8.3 General Fund additional capital budget requirements

Capital budget of £15k is required to install an irrigation system in the Walled Garden at Gadebridge Park. This will save water and labour time, thereby improving efficiency in the maintenance of the gardens. It will also reduce health and safety risk to the public by removing trip hazards from hose pipes and standing water. A supplementary capital budget of £15k is therefore requested to fund this expenditure.

Capital budget of £34k is required at Warners End Community Centre to carry out improvement works to the heating system which had become inefficient and obsolete, and to install a fit for purpose door entrance system. A supplementary capital budget of £34k is requested to fund this expenditure.

8.4 HRA Major Variances

- Line 180: slippage of £2.2m on Martindale. The start on site for this scheme is approximately 3 months later than anticipated when the budget was set.
- Line 181: underspend of £937k on Kylna Court. The scheme is due to complete in this financial year, and at present the full contingency on the scheme is not

expected to be required. Any surplus budget will be re-allocated to schemes within the new build programme overall.

- Line 182: slippage of £857k on Stationers Place. Issues with the site have been worked through and a start on site is now expected in quarter 3 of 2018/19.
- Line 185 and 186: overspend of £205k on Swing Gate Lane. The latest cost projections vary from the estimated budget and it will be necessary to re-allocate budget to this scheme in year.

9. Conclusions and recommendations

- 9.1 As at Quarter 1 2018/19, there is a forecast pressure of £719k against General Fund budgets and a forecast pressure of £37k against Housing Revenue Account budgets.
- 9.2 Members are asked to note the forecast outturn position for 2018/19 and agree the recommended virements and supplementary budgets. Further financial monitoring reports will be brought before Committee for consideration during the financial year 2018/19.