



**AGENDA ITEM:  
SUMMARY**

<b>Report for:</b>	<b>Cabinet</b>
<b>Date of meeting:</b>	<b>13 November 2018</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Budget Monitoring Quarter 2 2018/19</b>
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Assistant Director (Finance & Resources) Fiona Jump, Group Manager, Financial Services
Purpose of report:	To provide details of the projected outturn for 2018/19 as at Quarter 2 for the: <ul style="list-style-type: none"> <li>• General Fund</li> <li>• Housing Revenue Account</li> <li>• Capital Programme</li> </ul>
Recommendations	<ol style="list-style-type: none"> <li>1. Consider the budget monitoring position for each of the above accounts;</li> <li>2. Recommend to Council approval of the revised capital programme to move £2.8m slippage identified at Quarter 2 into financial year 2019/20 as detailed in Appendix C;</li> <li>3. Recommend to Council approval of the one off supplementary budgets required to deliver several service changes as set out below. These will be funded by use of the Management of change reserve. 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:</li> </ol>

	<ul style="list-style-type: none"> <li>• A one off Increase to the Planning service budget of £90k to support the implementation of new and improved planning software.</li> <li>• A one-off increase to the Adventure Playground service employees budget by £80k to support costs incurred of restructuring the service.</li> <li>• An increase in the Neighbourhood Delivery employees budget by £80k to meet one off pension strain costs arising from the consolidation of the management team.</li> </ul> <p>4. Approval of the virement detailed in Appendix D to realign New Build capital budgets to support the progress of new housing developments.</p>
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 Assessment	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><b>Deputy Section 151 Officer:</b> Comments included within the body of this report</p> <p><b>Monitoring Officer:</b> 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	GF – General Fund

other abbreviations used in this report:	HRA – Housing Revenue Account
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## 1. Introduction

1.1 The purpose of this report is to present the Council's forecast outturn for 2018/19 as at the 30<sup>th</sup> September 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 £249k is a significant improvement on quarter 1 with a reduction in the overall pressure of £470k quarter on quarter. The pressure 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 recyclables 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	£450k	Waste recycling income
Strategic Planning & Environment	£100k	Building Control service
Housing & Community	£160k	Garages

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	13,093	125	1.0%
Housing & Community	753	768	15	2.0%
Strategic Planning & Environment	7,717	8,184	467	6.1%
<b>Total</b>	<b>21,438</b>	<b>22,045</b>	<b>607</b>	<b>2.8%</b>
Investment Property	(4,103)	(4,177)	(74)	1.8%
Core Funding	(17,342)	(17,626)	(284)	1.6%
<b>Contribution (to)/from General Fund Working Balance</b>	<b>(7)</b>	<b>242</b>	<b>249</b>	

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	9,974	10,103	129	1.3%
Premises	1,876	1,854	(22)	(1.2%)
Transport	215	236	21	9.8%
Supplies & Services	3,946	3,945	(1)	(0.0%)
Third-Parties	594	656	62	10.4%
Transfer Payments	47,144	47,144	0	0.0%
Income	(4,676)	(4,649)	27	(0.6%)
Other Income	(47,584)	(47,584)	0	0.0%
Earmarked Reserves	1,479	1,388	(91)	(6.2%)
	<b>12,968</b>	<b>13,093</b>	<b>125</b>	<b>1.0%</b>

#### 3.1 Employees - £129k over budget

Pressure of £49k- This pressure relates to agency and recruitment costs arising from vacancies within the service.

One off Pressure of £80k- This relates to pension strain costs arising from the management team consolidation within the Neighbourhood Delivery service. This pressure is forecast to be offset by a drawdown of £80k from the Management of Change reserve.

#### 3.2 Third parties - £62k over budget

The main area of cost pressure relating to third parties is the increased facilities management costs for the Forum that are expected to exceed budget by £70k.

#### 4. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	9,688	9,796	108	1.1%
Premises	864	888	24	2.8%
Transport	1,201	1,334	133	11.1%
Supplies & Services	1,914	2,364	450	23.5%
Third-Parties	88	72	(16)	(18.2%)
Income	(5,898)	(5,948)	(50)	0.8%
Earmarked Reserves	(140)	(322)	(182)	130.0%
	<b>7,717</b>	<b>8,184</b>	<b>467</b>	<b>6.1%</b>

##### 4.1 Employees- £108k over budget

Pressure of £120k- Recruitment challenges within Building Control have led to vacant posts being filled by agency staff, the service are preparing an options paper to outline the options for the future delivery of Building Control within the approved budgets.

A short- term requirement to support the successful implementation of new software is driving a pressure of £90k within Planning. This pressure is forecast to be offset by a drawdown of £90k from the Management of Change reserve.

There are several staffing underspend in Clean, Safe and Green where posts have been able to be kept vacant in the short term, whilst still allowing the service to meet service delivery plans. This is under constant review.

##### 4.2 Transport -£133k over budget

There are overspends as a result of maintaining the ageing fleet in the waste services including additional short term hire costs and repair costs. The procurement of the renewal of the waste fleet is underway and deliver is expected from midway through 2019.

##### 4.3 Supplies and Services - £450k over budget

This is the continued pressure relating to the cost of disposal of co-mingled waste due to the recent decline in the global market for recycled material.

##### 4.4 Income - £50k over -achievement of budget

The overachievement of income overall in the Strategic Planning division is due to various under and over achieved income in the Building Control and Planning and Waste Services.

The Waste Service overall income is in line with the budgeted levels with the commercial waste service underachieving its income by £150k and the additional £150k of income 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. The commercial waste service is under review and independent advice is being provided on how to improve the financial performance of the service.

The Building Control service and Land Charges income is forecasting a shortfall of £100k as a result of decreased customer numbers, and action is being taken to improve the quality of service delivered and the marketing of the building control service. In contrast to this, the Planning service is projecting an overachievement of income of £275k as a result of large one- off fees, with a smaller proportion of the surplus due to a high volume of applications.

There are other minor net pressures against income within Strategic Planning and Environment.

## 5. Housing and Community

Housing & Community	Current Budget	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	3,696	3,825	129	3.5%
Premises	905	885	(20)	(2.2%)
Transport	17	20	3	17.6%
Supplies & Services	1,706	1,694	(12)	(0.7%)
Third Parties	0	0	0	0.0%
Transfer Payments	55	55	0	0.0%
Income	(5,080)	(5,120)	(40)	(0.8%)
Earmarked Reserves	(546)	(591)	(45)	(8.2%)
	<b>753</b>	<b>768</b>	<b>15</b>	<b>2.0%</b>

### 5.1 Employees- £129k over budget

Pressure of £80k- This pressure relates to the on off cost of the restructure of the Adventure Playground service. This pressure is forecast to be offset by a drawdown of £80k from the Management of Change reserve.

Pressure of £49k- This pressure consists of minor overspends against the remaining £3m plus employee budgets within the rest of Housing and Community division.

### 5.2 Income - £40k over-achievement of income

Pressure of £210k - There is a shortfall against income targets relating to garages rental income of £210k. £90k of this shortfall is a continuation of under-achievement of income in the previous financial year. There is a new web based process for marketing and receiving garage applications that has started in October and the benefits of this system are being carefully monitored.

Overachievement of income £190k - The pressure above is offset by net additional income over budget relating to Temporary Accommodation of £190k. The Council's own properties are being used to house tenants on a temporary basis rather than more expensive bed and breakfast accommodation.

## **6. Corporate items/Core Funding**

- 6.1 A surplus on Investment Properties of £74k is now forecast due to relatively strong performance in rental income, with a number of successful rent reviews having been carried out.
- 6.2 There is additional income of £284k against core funding budgets, relating to government funding and investment income. This includes additional funding relating to the Revenues and Benefits service, new burdens funding relating to the Strategic Planning service and enhanced new homes bonus. Interest forecasts from treasury management activities are projected to exceed budget by £100k due to higher than anticipated cash balance and a rise in the Bank of England base rate from 0.5% to 0.75% in August.

## **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 £119k under the budgeted balance of £2.9m.

### **7.3 Dwelling rents- £240k underachievement of income**

Pressure of £115k- Voids are running at 1% compared to a budgeted level of 0.8%.

Pressure of £125k- There is a pressure against rental income arising from a change in the number of new build properties actually being let compared to the assumptions applied at the time of rent and budget setting.

### **7.4 Non Dwelling rents- £43k over-achievement of income**

Income from aerial sites is forecast to exceed budget by £43k.

### **7.5 Tenants Charges/Supervision and Management / Revenue Contribution to Capital- £119k net under budget**

Over-achievement of income £56k- Grant income for Housing Related support has continued into 18/19 when it was expected to cease, resulting in £56k over budgeted income targets.

Underspend of £63k- There is an underspend against staffing budgets and a forecast underspend against the budget held for the window cleaning contract.

#### 7.6 Leaseholder charges - £41k over-achievement of income

Income from charges to leaseholders is expected to be higher than budgeted for.

#### 7.7 Other charges - £37k over budget

The cost of council tax relating to void properties is driving a pressure of £37k. 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 approved amendments. Slippage identified at Quarter 1 2018/19 has been re-phased to 2019/20.

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, or conversely, where expenditure planned initially for 2019/20 has been incurred in 2018/19.

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	Slippage	Revised Budget	Forecast Outturn	Variance	
	£000	£000	£000	£000	£000	%
Finance & Resources	10,729	(2,302)	8,427	8,337	(90)	-0.8%
Strategic Planning & Environment	2,915	(124)	2,791	2,791	0	0.0%
Housing & Community	8,093	(391)	7,702	7,702	0	0.0%
<b>G F Total</b>	<b>21,737</b>	<b>(2,817)</b>	<b>18,920</b>	<b>18,830</b>	<b>(90)</b>	<b>-0.4%</b>
<b>HRA Total</b>	<b>35,213</b>	<b>36</b>	<b>35,249</b>	<b>35,249</b>	<b>0</b>	<b>0.0%</b>
<b>Grand Total</b>	<b>56,950</b>	<b>(2,781)</b>	<b>54,169</b>	<b>54,079</b>	<b>(90)</b>	<b>-0.2%</b>

#### 8.2 General Fund Major Variances



There is an overall underspend on the General Fund of £2.9m. This is a combination of underspend of £90k, and slippage of £2.8m into 2019/20.

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

- Line 2: slippage of £480k on the Demolition of the Civic Centre. The first phase of the demolition of the former Civic Centre is now complete. This involved demolition of the majority of the Civic Centre with the exception of the north eastern and south western corners of the building which adjoin Affinity Water and UKPN infrastructure. Work is currently taking place with these utilities companies to progress the next phase which involves diversion and relocation of utilities followed by demolition of the remaining building structure.
- Line 21: slippage of £250k on Car Park Refurbishment scheme. Work at Water Gardens South car park needs to be timed with highway improvement works in the area being carried out under the Town Centre Access Improvements project.
- Line 23: slippage of £1.3m on Berkhamsted Multi-Storey car park. Construction of the new multi-storey car park is planned for January 2019, once utilities companies have completed their diversionary works. The new multi-storey car park is expected to be open by early autumn 2019.
- Line 49 and 50: slippage of £390k on the garage development projects Westerdale and Northend. Contractors are due on site imminently with work to be concluded in 2019/20.

8.3 The projected outturn for the HRA is consistent with the Quarter 1 position.

- Line 77 and 85-91: approval for professional fees on a range of new sites was granted at Cabinet 27 March. Virements to create budgets for the specific projects will be requested in the Cabinet report 13 November 2018.

## **9. Conclusions and recommendations**

9.1 As at Quarter 2 2018/19, there is a forecast pressure of £249k against General Fund budgets and a forecast pressure of £119k against Housing Revenue Account budgets.

9.2 As at Quarter 2 2018/19, against General Fund capital there is slippage of £2.817m and a forecast underspend of £90k. Against Housing Revenue Account capital there is slippage of £36k and the forecast outturn is on budget.

9.3 Members are asked to:

- Note the forecast outturn position for 2018/19;
- Recommend to Council the approval of the revised capital programme to move slippage identified at Quarter 2 into financial year 2019/20;
- Recommend to Council approval of the supplementary budgets set out in this report;
- Approve the virement detailed in Appendix D to this report.

9.4 Members are asked to note the forecast outturn position for 2018/19. Further financial monitoring reports will be brought before Committee for consideration during the financial year 2018/19.