



**AGENDA ITEM:
SUMMARY**

Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	
PART:	6 March 2019
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 3 2018/19
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 3 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme – Housing and Community
Recommendations	That Committee note the forecast outturn position for 2018/19.
Corporate objectives:	Delivering an efficient and modern council.
Implications:	<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. <u>Value for Money</u>

	Regular budget monitoring and reporting supports the effective use of the financial resources available to the Council.
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.
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 the 31st December 2018. The report covers the following budgets with associated appendices:

- General Fund - Appendix A
- Housing Revenue Account (HRA) - Appendix B
- Capital Programme - Appendix C

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 overspend which broadly offset each other. The net overall pressure of £113k, less than 1% of the net cost of services budget, is an improvement on the quarter 2 position of £249k with a reduction of £136k in the overall pressure. The most significant pressure is attributable to 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 Corporate Items

The actual income received from government grants and treasury investments compared to core funding budgets is projected to be exceeded by £325k. This is related to:

- Increased new burdens funding of £180k, including £72k relating to the Revenues and Benefits service, and £64k relating to the Strategic Planning service. New Homes Bonus is also £24k over the budgeted amount due to a higher volume of properties completed in 2017/18 than projected by MHCLG.
- Investment income from treasury management activities is over performing by £139k, due to higher than anticipated cash balances and a rise in the Bank of England base rate.
- A minor increase in the forecast recharge to the HRA of £6k.

2.4 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	13,376	13,467	91	0.7%
Housing & Community	345	293	(52)	-15.1%
Strategic Planning & Environment	7,717	8,168	451	5.8%
Total	21,438	21,928	490	2.3%
Investment Property	(4,103)	(4,155)	(52)	1.3%
Core Funding	(17,342)	(17,667)	(325)	1.9%
Contribution (to)/from General Fund Working Balance	(7)	106	113	

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

3. Housing and Community

Housing & Community	Current Budget	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	3,776	3,858	82	2.2%
Premises	869	697	(172)	(19.8%)
Transport	17	20	3	17.6%
Supplies & Services	1,318	1,280	(38)	(2.9%)
Third Parties	0	0	0	0.0%
Transfer Payments	55	55	0	0.0%
Income	(5,064)	(4,951)	113	2.2%
Earmarked Reserves	(626)	(666)	(40)	(6.4%)
	345	293	(52)	(15.1%)

3.1 Employees - £82k over budget

Pressure of £16k - This pressure relates to the one-off pension strain costs arising from the restructure of the Adventure Playground service. This pressure is forecast to be offset by a drawdown of £16k from the Management of Change reserve.

Pressure of £66k - This pressure consists of minor overspends against the remaining £3m plus employee budgets within the rest of Housing and Community division.

3.2 Premises - £172k under budget

An underspend of £200k on garage premises expenditure is offsetting a pressure of £350k in income forecasts. A review of the business model for garages is currently underway.

A pressure of £75k relates to one-off health and safety work required to homeless hostels. This includes fire risk assessment work and installation of CCTV at key sites. This is forecast to be offset by a drawdown from the Dacorum Development Reserve.

3.3 Income - £113k shortfall

Pressure of £350k - There is a shortfall against income targets relating to garages rental income of £350k. The level of garage voids has been higher than was expected and budgeted growth in this area has not been achieved.

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.

Income of £30k is forecast from Private Sector Housing licensing of HMOs. This increased income follows a change in legislation around the licensing of HMOs and is calculated on a cost recovery basis. Additional income has been factored into the draft budget for 2019/20.

4. Housing Revenue Account (HRA)

4.1 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.

4.2 The projected HRA balance at the end of 2018/19 is £151k over the budgeted balance of £2.9m.

4.3 Dwelling rents - £146k underachievement of income

Pressure of c. £60k – The void rate was running at approx. 1% in the first 6 months of the year, but has improved to be in line with the budgeted expectation of 0.8%.

The rental income has also been impacted by a reduction in the volume of new build properties coming on line with the delay to Kylna court and Swing Gate lane, with a small offsetting reduction in the volume of right to buy sales than expected at budget setting time.

4.4 Non Dwelling rents - £46k over-achievement of income

The HRA have undertaken rent reviews on the aerial sites and this work has produced an increased income of £46k.

4.5 Tenants Charges / Supervision and Management / Revenue Contribution to Capital - £217k net under budget

Over-achievement of income £140k - Grant income for Housing Related support has continued into 2018/19 when it was expected to cease, resulting in £56k over budgeted income targets. In addition utilities recovery has been higher than anticipated.

Underspend of £77k - There is an underspend against staffing budgets from vacancies within services, and an underspend against the budget for equipment. This is due to a combination of the inability to recruit to some posts and also the time taken to recruit to other posts.

5. Capital Programme

5.1 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 2 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	Variance	
	£000	£000	£000	Outturn £000	£000	%
Housing & Community	7,702	(312)	7,390	7,440	50	0.6%
G F Total	7,702	(312)	7,390	7,440	50	0.6%
HRA Total	36,029	(9,742)	26,287	26,287	0	0.0%
Grand Total	43,731	(10,054)	33,677	33,727	50	0.1%

5.2 General Fund Major Variances

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

- Line 50 and 51: slippage of £352k on the garage development projects Westerdale and Northend. The work has been reprogrammed until the new calendar year, however completion is still expected by November 2019.

5.3 HRA Major Variances

There is an overall underspend of £9.7m on the HRA capital programme.

- Line 76: slippage of £2.5m on DBC Commissioned Capital Works. There has been an element of slippage in Property and Place capital works, awaiting the outcome of the Grenfell enquiry. Legislative changes are yet to be confirmed which has resulted in works being deferred until a definitive solution has been found. In addition the capital programme includes a proportion of projects with leaseholder impact and subsequent service charge recovery. This work will now take place in 2019/20 once the necessary leaseholder consultation has been carried out.
- Line 77: slippage of £761k on HRA special projects. This budget is for improvement works at Supported Housing schemes. Procurement of the contractor to extend and upgrade the schemes has been concluded, however the due diligence checks have taken longer than anticipated, which has resulted in the commencement date being slipped to the next financial year.
- Line 78: slippage of £5.5m on New Build General expenditure. This budget is earmarked for the purchase of land, which is now expected to take place in 2019/20.
- Line 80: underspend of £520k on Kylina Court. The scheme will be completed in 2018/19 and the full budget has not been required.

- Line 81: slippage of £873k on Stationers Place. There has been a delay in mobilising due to enabling works around utilities. These have now been concluded and a start on site is expected in the final quarter of 2018/19.

The nature of large capital build projects is that there is often some slippage on projects due to the volume of differing variables involved. The finance team have worked closely with project leads to re profile the 2019-23 capital programme with the expectation that capital spend will be aligned with budget expectations.

6. Conclusions and recommendations

- 6.1 As at Quarter 3 2018/19, there is a forecast pressure of £113k against General Fund revenue budgets and a forecast surplus of £151k against Housing Revenue Account budgets.
- 6.2 As at Quarter 3 2018/19, against Housing and Community General Fund capital there is slippage of £312k and a forecast overspend of £50k. Against Housing Revenue Account capital there is slippage of £9.7m and the forecast outturn is on budget.
- 6.3 Members are asked to note the forecast outturn position for 2018/19. The next financial monitoring report to be brought before Committee for consideration will be the provisional outturn for 2018/19.