



<b>Report for:</b>	<b>Cabinet</b>
<b>Date of meeting:</b>	<b>10 September 2019</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Budget Monitoring Quarter 1 2019/20</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 2019/20 as at Quarter 1 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 £1.5m slippage identified at Quarter 1 into financial year 2020/21 as detailed in Appendix C;</li> <li>3. Recommend to Council approval of supplementary revenue budgets funded by grant income. This grant income has already been received by the Council and is ring-fenced for use in specific services. Details are set out below: <ul style="list-style-type: none"> <li>• Supplementary budget funded by grant of £70k in the Benefits Administration service.</li> <li>• Supplementary budget funded by grant of £100k in the Strategic Planning service.</li> <li>• Supplementary budget of £62k in the Homelessness service, funded from the homelessness prevention grant currently held in reserves.</li> <li>• Supplementary budget of £21k in the Partnerships service, and £18k in the Homelessness service, funded</li> </ul> </li> </ol>

	<p>from Dacorum Partnership Reserve. This expenditure has been approved by the Dacorum Strategic Network.</p> <p>4. Recommend to Council approval of supplementary capital budgets required to deliver several service changes as set out below:</p> <ul style="list-style-type: none"> <li>• A capital budget of £112k to fund arena seating at Hemel Sports Centre.</li> <li>• A capital budget of £36k for land transferred to the Council in lieu of a Community Infrastructure Levy contribution.</li> </ul>
Corporate objectives:	Delivering an efficient and modern council.
Implications:	<p><b>Financial</b> This report outlines the financial position for the Council for 2019/20 and so summarises the financial implications for service decisions expected to be made for the financial year.</p> <p><b>Value for Money</b> 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 2019/20 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 other abbreviations used in this report:	<p>GF – General Fund HRA – Housing Revenue Account MRP- Minimum Revenue Provision</p>

## 1. Introduction

1.1 The purpose of this report is to present the Council's forecast outturn for 2019/20 as at the 30 June 2019. The report covers the following budgets with associated appendices:

- General Fund - Appendix A. A pressure against budget of £121k is forecast.
- Housing Revenue Account (HRA) - Appendix B. A surplus of £391k is forecast.
- Capital Programme - Appendix C. Budget re-phasing to future years of £1.5m is forecast, together with a pressure on in year capital budgets of £476k.

## 2. General Fund Revenue Account

1.2 The General Fund revenue account records the income and expenditure associated with all Council functions, except the management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA).

1.3 Appendix A provides an overview of the General Fund forecast outturn position. The forecast position includes areas of both under and overspend. There is a net overall pressure of £121k, less than 1% of the net cost of services budget.

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

Scrutiny Committee	Key Financial Pressure	Description
Housing and Community	£190k	Garage Income
Finance and Resources	£130k	Fleet vehicle Maintenance
Strategic Planning and Environment	£105k	Planning
Strategic Planning and Environment	£90k	Commercial Waste Income

1.4 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	16,382	16,364	(18)	(0.1%)
Housing & Community	537	614	77	14.3%
Strategic Planning and Environment	8,467	8,850	383	4.5%
<b>Total</b>	<b>25,386</b>	<b>25,828</b>	<b>442</b>	<b>1.7%</b>
Investment Property	(4,317)	(4,306)	11	(0.3%)
Core Funding	(21,070)	(21,402)	(332)	1.6%
<b>Contribution (to)/ from General Fund Working Balance</b>	<b>(1)</b>	<b>120</b>	<b>121</b>	

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

### 3. Finance and Resources, Investment Property and Core Funding

Finance & Resources	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	10,471	10,556	85	0.8%
Premises	1,951	1,961	10	0.5%
Transport	224	226	2	0.9%
Supplies & Services	3,888	3,944	56	1.4%
Third-Parties	672	690	18	2.7%
Transfer Payments	47,144	47,144	0	0.0%
Income	(5,112)	(5,301)	(189)	3.7%
Other Income	(47,584)	(47,584)	0	0.0%
Earmarked Reserves	4,727	4,727	0	0.0%
<b>Total</b>	<b>16,381</b>	<b>16,363</b>	<b>(18)</b>	<b>(0.1%)</b>

	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Investment Property	(4,317)	(4,306)	11	(0.3%)
Core Funding	(21,070)	(21,402)	(332)	1.6%
<b>Total</b>	<b>(25,387)</b>	<b>(25,708)</b>	<b>(321)</b>	<b>1.3%</b>

#### 1.6 Employees - £85k pressure against budget

The forecast pressure against employee budgets includes:

- £45k relating to agency staff costs within the Estates team covering professional surveying roles that the service has struggled to recruit to permanently. A further permanent recruitment drive is underway and any associated financial benefit will be included in future reports.

#### 3.2 Income - £189k over achievement of budget

The forecast overachievement of income against budget includes:

- £90k additional income relating to the Council's leisure management contract, arising from a reduction in business rates costs to the contractor.
- £70k of unbudgeted grant income in to the Revenues and Benefits service. This grant is ring-fenced to the Benefits Administration service and is being used to fund specialist resource to carry out the required work. A supplementary budget for agency staff in Benefits is requested, funded by the grant income received.

#### 3.3 Core Funding - £332k additional funding/ reduction in expenditure

There is a combination of additional government grant income and a reduction in expenditure forecast to yield a benefit of £332k against core funding budgets. These include:

- Increased new burdens funding of £117k, including £100k relating to the Revenues and Benefits service. This funding is not ring-fenced for a specific use and has therefore been treated as core funding.
- The Minimum Revenue Provision (MRP) is a minimum amount which a Council must charge against its revenue budget each year for the financing of capital expenditure which has been initially funded by borrowing. The MRP is £165k lower than budgeted for 2019/20, resulting from below-budget capital expenditure in 2018/19.
- Additional income from the HRA of £50k. This arises from work on void garden clearances previously carried out by Osborne and now undertaken by Clean, Safe and Green. As such, there is no resulting additional cost to the HRA.

#### 4. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	10,234	10,558	324	3.2%
Premises	948	960	12	1.3%
Transport	1,187	1,326	139	11.7%
Supplies & Services	2,286	2,252	(34)	(1.5%)
Third-Parties	84	84	0	0.0%
Income	(6,064)	(6,122)	(58)	1.0%
Earmarked Reserves	(208)	(208)	0	0.0%
<b>Total</b>	<b>8,467</b>	<b>8,850</b>	<b>383</b>	<b>4.5%</b>

##### 4.1 Employees - £324k pressure against budget

The forecast pressure against employee budgets includes:

- £180k relating to the use of agency staff within Planning. Vacant posts are being backfilled by agency at a higher rate than the cost of permanent staff. Work on the LA3 (Local Allocation 3 - West Hemel Hempstead) development is also requiring a permanent member of staff to be backfilled in order to meet required timescales. The overspend is partially mitigated by planning income, which is forecast to exceed budget by £75k due to additional pre-application advice fees.
- £100k of Development employee costs, showing as a variance in the table above, are offset by grant funding. £240k of Planning Delivery Fund grant was received from the Ministry of Housing, Communities and Local Government in previous financial years to support the South West Hertfordshire Joint Strategic Plan, of which £170k is held in reserves. A

supplementary budget of £100k funded by this grant is requested to create a staffing budget to allow this work to be undertaken.

#### 4.2 Transport - £139k pressure against budget

This pressure relates to the maintenance of ageing fleet vehicles in Waste Services, including additional short term hire costs and repair costs. The procurement of the new waste fleet has been completed and new vehicles are expected to be operational from November 2019.

#### 4.3 Income - £58k surplus against budget

In addition to the forecast surplus on Planning fees of £75k, and the £100k of strategic planning grant income, included within this variance is a pressure of £90k relating to the Commercial Waste service. Income from Commercial Waste has been under budget due to the ongoing effect of loss of customers. A full review of the service including marketing and charging structure is currently underway. Resulting actions and financial benefits will be disclosed in future reports.

### 5. Housing and Community

Housing and Community	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	3,920	3,831	(89)	(2.3%)
Premises	886	696	(190)	(21.4%)
Transport	18	18	0	0.0%
Supplies & Services	1,288	1,254	(36)	(2.6%)
Transfer Payments	55	55	0	0.0%
Income	(5,575)	(5,185)	390	(7.0%)
Earmarked Reserves	(55)	(55)	0	0.0%
<b>Total</b>	<b>537</b>	<b>614</b>	<b>77</b>	<b>14.3%</b>

#### 4.4 Employees - £89k underspend against budget

There are small forecast staffing underspends across Housing and Community relating to vacant posts that total £89k.

#### 4.5 Premises - £190k underspend against budget

The forecast underspend relates to the ongoing upkeep and maintenance costs for the Garages service. A full stock condition survey has been commissioned to determine the current state of the garage stock. The results of the survey are expected in the autumn of 2019, and a revised maintenance programme will be developed and reported to members. In the interim, where the stock condition survey highlights urgent maintenance requirements these works are being commissioned.

#### 4.6 Income - £390k pressure against budget

The forecast pressure relates to the Garage service income not being achieved and is a continuation of 2018/19 position. Void rates continue at around 30%. An ongoing garage strategy will be developed once the stock condition survey has been completed.

#### **4.7 Supplementary budgets requested**

A supplementary budget funded from earmarked reserves is requested to fund expenditure in the Homelessness service. In financial year 2018/19, a grant of £62k was received for the purpose of preventing homelessness. This grant is to be spent in 2019/20 on a number of measures to reduce homelessness, such as an outreach worker, an education and awareness programme for young adults and support for individual residents at high risk of homelessness in the form of help towards a deposit. A supplementary budget of £62k is requested, to be funded from the Earmarked Grants Reserve.

At a meeting of the Dacorum Strategic Network in April 2019, it was agreed that a sum of £39k would be allocated to specific projects: £18k to preventing homelessness, £14k to Community Action Dacorum Loneliness Project and £7k to Hertfordshire Constabulary for an Automatic Number Plate Recognition project. The funding for these projects is currently held within the Dacorum Partnership Reserve, and as such, supplementary budgets funded from reserve are requested.

### **6. Housing Revenue Account (HRA)**

**4.8** 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.

**4.9** The projected HRA balance at the end of 2019/20 is a surplus of £391k. A balanced outturn position for the HRA can be achieved by either increasing (in the case of an overall surplus) or decreasing (in the case of an overall deficit) the final revenue contribution to capital for the HRA. This will be a decision for Members to take once the final outturn position for 2019/20 is confirmed early in 2020/21.

#### **4.10 Dwelling rents - £139k overachievement of income**

The forecast overachievement of income includes:

- £82k overachievement of rental income due to budget expectations on new build sites being set prudently in advance of allocations and rent levels being agreed.
- £48k reduction in the contribution required to subsidise housing management at sheltered schemes.

#### **4.11 Supervision and Management - £405k underspend against budget**

The forecast underspend against budget includes:

- £330k relating to vacancies across the service. Recruitment to these vacancies is currently underway.

## 7. Capital Programme

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

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

The current budget is the original budget approved by Cabinet in February 2019, plus approved amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred, but will now be in 2020/21 rather than 2019/20 ('slippage'), or conversely, where expenditure planned initially for 2020/21 has been incurred in 2019/20 ('accelerated spend').

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

	<b>Current Budget</b> <b>£000</b>	<b>Rephasing</b> <b>£000</b>	<b>Revised Budget</b> <b>£000</b>	<b>Forecast Outturn</b> <b>£000</b>	<b>Variance</b> <b>£000      %</b>	
Finance & Resources	9,705	(443)	9,262	9,811	<b>549</b>	<b>5.7%</b>
Strategic Planning and Environment	4,648	0	4,648	4,569	<b>(79)</b>	<b>(1.7%)</b>
Housing & Community	6,429	(245)	6,184	6,190	<b>6</b>	<b>0.1%</b>
<b>GF Total</b>	<b>20,782</b>	<b>(688)</b>	<b>20,094</b>	<b>20,570</b>	<b>476</b>	<b>2.3%</b>
<b>HRA Total</b>	<b>43,845</b>	<b>(795)</b>	<b>43,050</b>	<b>43,050</b>	<b>0</b>	<b>0.0%</b>
<b>Grand Total</b>	<b>64,627</b>	<b>(1,483)</b>	<b>63,144</b>	<b>63,620</b>	<b>476</b>	<b>0.7%</b>

### 4.13 General Fund Major Variances

There is projected rephasing on the General Fund of £688k in 2019/20 and a forecast overspend of £476k.

The projected rephasing to future years includes:

- Line 85: slippage of £383k on Car park refurbishment projects. This budget is for the refurbishment of 6 sites in the borough, 4 of which will be completed in this financial year. Works on the Water Gardens car parks will now take place in 2020/21 as this work needs to be coordinated with the Parking Access and Movement project.
- Line 131: slippage of £245k on CCTV Equipment Refresh. The tender for this work is underway, with the work expected to begin in November. It is therefore estimated that only half of the budgeted expenditure will take place in 2019/20.

The forecast additional spend of £476k is made up as follows:



- Line 67: additional spend of £400k on Bunkers Farm. Construction commenced in mid-June 2019 following completion of substantial archaeological survey work, and is expected to take approximately 24 weeks to complete. Substantial planning costs have been incurred to date, and a requirement for additional archaeological work has brought about additional expense.

#### **4.14 Additional Capital Budgets**

- Replacement of arena seating at Hemel Hempstead Sports Centre. The current seating at the sports centre is frequently used by Hemel Storm basketball club, and for community events such as dance and gymnastics competitions, and is in need of replacement. A supplementary capital budget of £112k is requested to fund the replacement seating.
- Capital budget of £36k to fund land acquired by the Council in lieu of a Community Infrastructure Levy contribution. The Council accepted land adjacent to Okeford Drive in Tring at a value of £36k from a developer, instead of a contribution of CIL. A capital budget of £36k is therefore requested, to be funded from CIL capital funds.

#### **4.15 Housing Revenue Account Major Variances**

There is projected rephasing on HRA of £795k and a forecast balanced outturn position.

The projected rephasing to future years includes:

- Line 192: accelerated spend of £185k on Martindale. The scheme is progressing well and further spend has been brought forward from 2020/21.
- Line 198: slippage of £749k on Bulbourne. The site is owned by the Parish Council and prior to any purchase, Secretary of State approval is required to relocate an allotment to a different location on the site. These authorisations can take from between 6 to 24 months to process. Until authorisation has been given and it is clear the scheme is truly viable, the acquisition is on hold.
- Line 203: accelerated spend of £339k on Gaddesden Row. The purchase of the land has taken place earlier than originally anticipated.
- Lines 204, 205 and 206: slippage of £520k on Randalls Ride, Garage Sites and Wilstone. These schemes have not progressed as quickly as anticipated due to resourcing issues which are due to be resolved imminently.

The forecast balanced outturn position includes:

- Line 191: underspend of £393k on the budget for New Build General Expenditure. This underspend offsets against other under and overspends across the programme.

- Line 194: underspend of £1.2m on Stationers Place. The full contingency for the scheme was not required.
- Lines 196 and 197: overspend of £577k on Swing Gate Lane. Delays to the scheme have incurred further costs that are still to be finalised. Final account negotiations are due to commence shortly.
- Line 200: overspend of £900k on Eastwick Row. The purchase of the land had not been included in the budget for this scheme and will be funded through the underspend on the New Build General line (line 191).

## **8. Conclusions and recommendations**

**4.16** As at Quarter 1 2019/20, there is a forecast pressure of £121k against General Fund budgets and a forecast surplus of £391k against Housing Revenue Account budgets.

**4.17** As at Quarter 1 2019/20, against General Fund capital there is forecast budget rephasing of £688k and a forecast pressure of £476k. Against Housing Revenue Account capital schemes, budget rephasing of £795k is forecast and outturn is expected to be on budget.

**4.18** Members are asked to:

- note the forecast outturn position for 2019/20 ;
- recommend to Council the approval of the revised capital programme to move slippage identified at Quarter 1 into financial year 2020/21;
- recommend to Council the approval of supplementary revenue budgets set out in the report;
- recommend to Council the approval of the supplementary capital budgets set out in this report.