



**AGENDA ITEM:  
SUMMARY**

<b>Report for:</b>	<b>Cabinet</b>
<b>Date of meeting:</b>	<b>12 November 2019</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Budget Monitoring Quarter 2 2019/20</b>
<b>Contact:</b>	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Assistant Director (Finance & Resources) Caroline Souto, Team Leader Financial Planning & Analysis
<b>Purpose of report:</b>	To provide details of the projected outturn for 2019/20 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>
<b>Recommendations</b>	<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 £3.1m slippage identified at Quarter 2 into financial year 2020/21 as detailed in Appendix C;</li> <li>3. Recommend to Council approval of a supplementary revenue budget funded from reserves: <ul style="list-style-type: none"> <li>• Supplementary budget of £30k in the Garage service, funded from the Invest to Save reserve, to fund a specialist project manager to lead on improvements to the garage letting process</li> </ul> </li> <li>4. Recommend to Council approval of supplementary capital budgets required to deliver several service changes as set out below: <ul style="list-style-type: none"> <li>• A capital budget of £25k to fund payment kiosks in the Customer Services Unit.</li> </ul> </li> </ol>

	<ul style="list-style-type: none"> <li>• Additional capital budget of £400k to deliver the Bunkers Farm project.</li> <li>• Supplementary budget of £161k in the HRA capital budget Strategic Acquisitions, to fund buy-back of a leasehold property.</li> </ul> <p>5. Approve capital virements to reallocate budget from existing leisure budgets to fund Berkhamsted Leisure Centre Improvements Works:</p> <p>Create a budget of £276k for Berkhamsted Leisure Centre Improvements Works by reallocating budget from:</p> <ul style="list-style-type: none"> <li>a) Hemel Sports Centre roof £100k</li> <li>b) Berkhamsted Sports Centre Building Management System £150k</li> <li>c) Replace Pool Cover Structure Hemel Sports Centre £26k</li> </ul>
Corporate objectives:	Delivering an efficient and modern council.
Implications:	<p><u>Financial</u> 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><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 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 September 2019. The report covers the following budgets with associated appendices:

- General Fund - Appendix A. A pressure against budget of £126k is forecast.
- Housing Revenue Account (HRA) - Appendix B. A surplus of £433k is forecast.
- Capital Programme - Appendix C. Budget re-phasing to future years of £3.1m is forecast, which is less than 5% of the overall programme. £2.3m is HRA and £0.8m is General Fund. An in year pressure on capital budgets of £0.6m is forecast.

## 2. General Fund Revenue Account

2.1 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).

2.2 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 £126k, less than 1% of the net cost of services budget.

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

<b>Table 1</b>	<b>Key Financial Pressure</b>	<b>Description</b>
<b>Scrutiny Committee</b>		
Housing and Community	£195k	Garage Income
Strategic Planning and Environment	£130k	Fleet vehicle Maintenance
Strategic Planning and Environment	£105k	Planning
Strategic Planning and Environment	£90k	Commercial Waste Income

2.3 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

Table 2	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Finance & Resources	16,382	16,394	12	(0.1%)
Strategic Planning and Environment	8,467	8,979	512	6.0%
Housing & Community	537	549	12	2.2%
<b>Total Operating Cost</b>	<b>25,386</b>	<b>25,922</b>	<b>536</b>	<b>2.1%</b>
Investment Property	(4,317)	(4,357)	(40)	0.9%
Core Funding	(21,070)	(21,440)	(370)	1.8%
<b>Contribution (to)/ from General Fund Working Balance</b>	<b>(1)</b>	<b>125</b>	<b>126</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, Investment Property and Core Funding

Table 3 Finance & Resources	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	10,636	10,667	41	0.4%
Premises	1,970	2,021	51	2.6%
Transport	224	227	3	1.3%
Supplies & Services	3,953	4,037	84	2.1%
Third-Parties	672	709	37	5.5%
Transfer Payments	47,144	47,144	0	0.0%
Income	(5,360)	(5,564)	(204)	3.8%
Other Income	(47,584)	(47,584)	0	0.0%
Earmarked Reserves	4,727	4,727	0	0.0%
<b>Total</b>	<b>16,382</b>	<b>16,394</b>	<b>12</b>	<b>0.1%</b>

	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Investment Property	(4,317)	(4,357)	(40)	0.9%
Core Funding	(21,070)	(21,440)	(370)	1.8%
<b>Total</b>	<b>(25,387)</b>	<b>(25,708)</b>	<b>(410)</b>	<b>1.6%</b>

#### 3.1 Income - £204k over achievement of budget

The forecast overachievement of income against budget includes:

- £120k additional income relating to the Council's leisure management contract, arising from a reduction in business rates costs to the contractor.

- £80k of additional Insurance income. This relates to Insurance costs being recovered from Housing leaseholder properties and will be passed back to the Housing Revenue Account via internal recharges.

### 3.2 Core Funding - £370k 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 £370k against core funding budgets. These include:

- Increased new burdens funding of £155k, 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. In addition £35k of Brexit funding has been received in order to prepare for withdrawal from the European Union.
- 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.
- Investment Income is forecast to exceed budget by £80k as balances of cash reserves are higher than had been anticipated due to lower than budgeted capital expenditure.
- 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.
- Insurance recharges to the HRA will be reduced by £80k due to additional income from Leaseholders' charges.

## 4. Strategic Planning and Environment

Table 4 Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	10,334	10,635	301	2.9%
Premises	948	991	43	4.5%
Transport	1,187	1,372	185	15.6%
Supplies & Services	2,286	2,270	(16)	(0.7%)
Third-Parties	84	82	(2)	(2.4%)
Income	(6,164)	(6,164)	0	0
Earmarked Reserves	(208)	(208)	0	0.0%
<b>Total</b>	<b>8,467</b>	<b>8,979</b>	<b>512</b>	<b>6.0%</b>

#### 4.1 Employees - £301k pressure against budget

The forecast pressure against employee budgets includes:

- £180k additional staff and agency backfilling within Planning. The planning service have been very successful in driving new business and planning income as shown in para 4.3, hence officers have had to be realigned to these new specific planning projects and additional short term agency staff have had to be recruited to backfill substantive posts. This has resulted in additional agency costs in backfilling these posts. The planning service are working on a short and medium term resource plan to reduce these issues going forward.
- £70k in Waste Services due to current pressures on the service. New waste vehicles are due to be operational from November, however in the meantime non-availability of current split-bodied fleet is sometimes requiring additional separate rounds for co-mingled and food with the associated crews because replacement hire vehicles with a 70:30 split are not frequently available. This is also giving rise to a pressure in fuel costs of £50k.

#### 4.2 Transport - £185k pressure against budget

A pressure of £135k relates to the maintenance of ageing fleet vehicles in Waste Services, including additional short term hire costs and repair costs. Fuel costs are also tracking above budget by £50k.

#### 4.3 Income – no overall variance against budget

This budget line includes the forecast surplus on Planning fees of £75k, however this is being offset by a pressure of £90k relating to the Commercial Waste service, where income 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

Table 5 Housing and Community	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	3,920	3,899	(21)	(0.5%)
Premises	886	665	(221)	(24.9%)
Transport	18	18	0	0.0%
Supplies & Services	1,389	1,361	(28)	(2.0%)
Transfer Payments	55	5	(50)	(90.9%)
Income	(5,575)	(5,183)	392	(7.0%)
Earmarked Reserves	(156)	(216)	(60)	38.5%
<b>Total</b>	<b>537</b>	<b>549</b>	<b>12</b>	<b>2.2%</b>

### **5.1 Premises - £221k 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, and the results of this are expected later this calendar year.

### **5.2 Income - £392k 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%. A Project Manager has been appointed to lead the formation of a consolidated garage management strategy, and progress will be reported back to Members in 2020.

### **5.3 Supplementary budgets requested**

A specialist project manager has been commissioned to lead on improvements to the garage letting process. A drawdown of £30k from the Invest to Save reserve is requested to fund this expenditure.

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

**6.1** 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.

**6.2** The projected HRA balance at the end of 2019/20 is a surplus of £433k. 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.

### **6.3 Dwelling rents - £234k overachievement of income**

The forecast overachievement of income includes the following:

- Additional income is being recovered through Housing Benefit of £140k. This relates to Housing Benefit subsidy for tenants in supported housing.
- £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.
- £30k surplus due to re-let properties moving to the correct rent level (known as Formula Rent).

#### 6.4 Tenants' Charges - £85k underachievement on budget

A review of tenants and leaseholder service charges has led to a forecasted deficit of £85k related to a reduction in tenants' service charges. Budgets will be realigned in the next budget setting round.

#### 6.5 Supervision and Management - £369k underspend against budget

The forecast underspend against budget includes:

- £270k relating to vacancies across the service. Recruitment to these vacancies is currently underway.
- £80k reduction in the recharge to the HRA relating to Insurance. This relates to income from Insurance charges payable by Leaseholders.

### 7. Capital Programme

#### 7.1 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.

	Current Budget £000	Rephasing £000	Revised Budget £000	Forecast Outturn £000	Variance	
					£000	%
Finance & Resources	9,410	(561)	8,849	9,439	590	6.7%
Strategic Planning and Environment	4,648	0	4,648	4,616	(32)	(0.7%)
Housing & Community	6,184	(198)	5,986	5,986	0	0.0%
<b>GF Total</b>	<b>20,242</b>	<b>(759)</b>	<b>19,483</b>	<b>20,042</b>	<b>558</b>	<b>2.9%</b>
<b>HRA Total</b>	<b>43,050</b>	<b>(2,308)</b>	<b>40,742</b>	<b>40,742</b>	<b>0</b>	<b>0.0%</b>
<b>Grand Total</b>	<b>63,292</b>	<b>(3,067)</b>	<b>60,226</b>	<b>60,784</b>	<b>558</b>	<b>0.9%</b>

## 7.2 General Fund Major Variances

There is projected rephasing of £0.8m into 2020/21 on the General Fund, and a forecast overspend of £0.6m.

The projected rephasing to future years includes:

- Line 54: slippage of £190k on Rossgate Shopping Centre – Structural Works. Phase 1 of works comprises the replacement of windows at the rear of the residential block and is planned to be completed in this financial year. Phase 2 comprises the replacement of the curtain wall window frame system at the front of the precinct (excluding shopfronts). Phase 2 works are planned to be undertaken during spring/summer 2020 once a final design and specification has been agreed that is in keeping with the phase 1 upgrades.
- Line 80: slippage of £100k on Resurfacing of Athletics Track. Upgrade of the hammer cage will take place this year, but the main resurfacing work is now scheduled to take place early in 2020/21.
- Line 90: slippage of £270k on Hemel Hempstead pool air handling unit. This work has been deferred until spring 2020 as the temporary heating supply will require a good base level outside air temperature to reach the temperature required on poolside.
- Line 157: slippage of £198k on Garage Development Programme. Completion is now expected slightly later which will push the expenditure into 2020/21.

The forecast additional spend of £0.6m includes:

- Line 58: additional spend of £109k on 58 High St (Old Town). Following the issuance of a Dangerous Structure Notice, an independent structural engineer was commissioned to assess the structural integrity of the property. The structural report recommended essential works to the walls and shop front of the building to prevent its collapse, in the interest of public health and safety.
- Line 74: additional spend of £400k on Bunkers Farm. Construction commenced in mid-June 2019 and will be completed by the end of November. Substantial planning costs have been incurred to date, and a requirement for additional archaeological work has brought about additional expense.

A supplementary budget of £400k is requested to fund this expenditure.

- Line 94: additional spend of £0.25m on Tring Swimming Pool. Additional works were required to complete the project, including resurfacing of the swimming pool and upgrade work to the changing room ceiling. After contributions from Tring School to fund a portion of the works, the overall variance to budget is reduced to £30k.

### 7.3 Capital Virements Proposed

**Berkhamsted Leisure Centre Improvement Works:** Working with Everyone Active, the Council has agreed a project for internal improvement works to Berkhamsted Sports Centre. This will include refurbishing the gym, main studio and circulation spaces to be paid for by Everyone Active and improvement works to the changing rooms (including disabled changing), health suite, toilets, showers, refurbishment of the pool hall, and new lights in the sports hall and swimming pool, which will be paid for by the Council. The cost to the Council will be £276k.

There are existing capital leisure budgets which can be reallocated to fund this expenditure:

- £100k budget allocated to Hemel Sports Centre roof
- £150k budget allocated to Berkhamsted Sports Centre Building Management System
- £26k budget allocated to Replace Pool Cover Structure Hemel Sports Centre.

The Hemel Sports centre roof does not require replacing, the Berkhamsted Building Management System is not required given the medium term plans to upgrade the building, and the pool cover structure has already been delivered under budget.

Budget virements to re-allocate this expenditure to Berkhamsted Leisure Centre Improvements Works are requested.

### 7.4 Additional Capital Budgets

**Replacement of payment kiosks in the Customer Services Unit:** The payment kiosks are due to be unsupported by the current provider from the end of March. In order to continue processing payments in an efficient manner, replacement kiosks at a cost of £25k are required. A supplementary capital budget of £25k is requested to fund this.

### 7.5 Housing Revenue Account Major Variances

There is projected rephasing on HRA of £2.3m and a forecast balanced outturn position.

- Line 207 and 217: these lines offset each other, as the budget for land acquisition of Eastwick Row is built in to the New Build General line. Once the land has been acquired, virements will be requested to transfer the appropriate portion of the budget to the correct scheme.
- Line 208: slippage of £1.3m on Martindale. The site is progressing well and is still expected to complete mid 2020/21, however a greater part of the costs will now be in 2020/21. A proportion of the contingency is also not expected to be required, however this will be confirmed when the project is nearer to completion.

- Line 209: Strategic Acquisitions – Housing. £161k of expenditure is required in order to buy back a leasehold property which had been sold under the Right to Buy scheme. The tenants expressed a desire to sell the property back to the Council and there is high demand for similar properties in the area. A supplementary budget is requested to fund this expenditure.
- Line 211: underspend of £0.5m on Stationers Place with slippage of £0.9m. The scheme is due to complete in Q1 of 2020/21.
- Line 213 and 214: overspend of £0.7m on Swing Gate Lane, due to a number of factors including planning requirements, some contamination on site, archaeological issues and client changes.
- Line 216: accelerated spend of £0.35m on Coniston Road. The land purchase had been budgeted in 2020/21 but is now expected to take place in 2019/20.
- Line 218: slippage of £0.4m on St. Margaret's Way. The scheme was put on hold for a number of months whilst options for the site were reviewed. This has led to slippage into 2020/21.

## **8. Conclusions and recommendations**

**8.1** As at Quarter 2 2019/20, there is a forecast pressure of £126k against General Fund budgets and a forecast surplus of £433k against Housing Revenue Account budgets.

**8.2** As at Quarter 2 2019/20, against General Fund capital there is forecast budget rephasing of £0.8m and a forecast pressure of £0.6m. Against Housing Revenue Account capital schemes, budget rephasing of £2.3m is forecast and outturn is expected to be on budget.

**8.3** 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 2 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.
- approve the virements set out in this report.