



AGENDA ITEM: 9

SUMMARY

Report for:	Finance and Resources Overview and Scrutiny Committee
Date of meeting:	4 November 2015
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 2 2015/16
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources David Skinner, Assistant Director (Finance & Resources) Richard Baker, Group Manager (Financial Services)
Purpose of report:	To provide details of the projected outturn for 2015/16 as at Quarter 2 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	That Committee note the forecast outturn position.
Corporate objectives:	Dacorum Delivers
Implications:	Financial and Value for Money implications are included within the body of the report.
Risk Implications	Risk implications are included within the body of the report.
Equalities Implications	There are no equality implications.

Health And Safety Implications	There are no health and safety implications.
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 outline the Council's forecast outturn for 2015/16 as at 30 September 2015. The report covers the following budgets:

- General Fund
- Housing Revenue Account (HRA)
- Capital Programme

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) (see Section 6).

2.2 Appendix A provides an overview of the General Fund provisional outturn position, separating expenditure into controllable and non-controllable categories in order to focus scrutiny on those areas that officers are able to influence, i.e. the controllable.

2.3 The majority of non-controllable costs result from year-end accounting adjustments, e.g. depreciation charges. These are required to show the true value of resources used to provide the Council's services, but do not result in a cash charge to taxpayers.

2.4 The current budget is the original budget approved by Cabinet in February 2015, plus the following approved amendments:

Amendments	£000	Approved
2015/16 Original budget	17,534	
Grant Funded Staff Costs in Revenues and Benefits	70	Council September 2015
Office Accommodation	52	Council September 2015
Reserve Funded Staff Costs	(10)	Council September 2015
Local Development Framework	(50)	Council September 2015
2015/16 Current Budget	17,596	

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

	Budget at Q1	Forecast Outturn at Q1	Variance		Budget at Q2	Forecast Outturn at Q2	Variance		Movement in forecast
	£000	£000	£000	%	£000	£000	£000	%	£000
Finance & Resources	10,623	11,102	479	4.5%	10,735	10,795	60	0.6%	(419)
Strategic Planning & Environment	5,810	6,089	279	4.8%	5,760	5,969	209	3.6%	(70)
Housing & Community	1,101	1,128	27	0.5%	1,101	1,106	5	0.5%	(22)
Total	17,534	18,319	785	4.5%	17,596	17,870	274	1.6%	(511)

2.6 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	Forecast Outturn	Variance		Movement in Forecast
	£000	£000	£000	%	£000
Employees	10,260	10,242	(19)	-0.2%	(291)
Premises	1,570	1,639	69	4.4%	23
Transport	37	35	(1)	-3.9%	(1)
Supplies & Services	4,636	4,676	40	0.9%	(3)
Third-Parties	1,411	1,438	27	1.9%	(27)
Income	(7,179)	(7,235)	(56)	0.8%	(120)
	10,735	10,795	60	0.6%	(420)

3.1 Employees - £19k under budget (0.2%)

Pressure of £15k in Revenues and Benefits - A pressure of £200k was reported in the Quarter 1 budget monitoring report. This was reduced down following the application of £70k of New Burdens grant funding which had been held centrally. The service have also been exploring ways in which new technology could be used to improve productivity, and a presentation was made at Audit Committee on 23 September 2015 a new process called Risk Based Verification (RBV). This process uses software to determine the risk profile of a claimant. The appropriate level of checks can then be applied in relation to the risk. The process gained approval and it is anticipated that it will be implemented this November. The effect of this will be to reduce the pressure on staffing budgets.

Pressure of £11k - A pressure of £83k was reported in the Quarter 1 report linked to the vacancy provision across a variety of services. The target is set at 5% of direct salary costs for 2015/16. As the financial year goes on, a number of posts have become vacant in Financial Services, Central Admin and the Legal section, which has led to a reduction in the salaries forecasts in these areas.

Underspend of £45k – There is an underspend on the salaries budget for Elections. This is because some of the costs were shared between the Borough and the Parliamentary election. This budget is funded from the Election reserve, so there will be no overall impact to the Council's budget.

3.2 Premises - £69k over budget (4.4%)

Pressure of £30k – There is a pressure of £30k relating to Business Rates incurred by the Council on void commercial properties. The level of voids is kept under close review and, as new tenancies begin, this pressure may reduce, however there has been no change in this projection since Quarter 1. This will be monitored closely as the year goes on.

3.3 Supplies & Services - £40k over budget (0.9%)

Pressure of £30k – In 2014/15 the council commissioned Liberata to carry out a review of empty properties with a view to bringing these back into use, which will attract New Homes Bonus. Over 200 properties were identified which were no longer empty. This work is ongoing and a further 26 properties have been brought back into use this financial year. At Quarter 1 a pressure of £13k was anticipated, however further work is now scheduled to take place which is estimated to increase the budget pressure to £30k. Each property brought back into use will gain New Homes Bonus of approximately £1,350 for the next 6 years, which equates to an annual income of £35k for 6 years.

Pressure of £42k – A pressure of £42k is forecast in the Electoral Registration service for the costs of Individual Electoral Registration (IER). This can be met from an unbudgeted grant to support the process of IER, which has already been received from the Cabinet Office.

Underspend of £75k – Various underspends have been identified in the Supplies and Services budgets through close scrutiny of the budgets in preparation for the next budget round. These savings will be taken out of the base budgets for 2016/17.

3.4 Income £56k over-achievement of budget (0.8%)

Pressure of £30k – At Quarter 1, a forecast under-achievement of £110k was expected on Investment Property income, as it seemed that the budgeted growth of 2.8% which had been applied to the budget might have been too ambitious. Since then, there have been a number of rent reviews linked to profit related rents and new leases assigned, which has improved the picture by some £70k. The economic climate continues to be challenging, especially for small businesses, but every effort is being made to realise the full potential of the council's commercial assets.

Surplus of £45k – This surplus has arisen as a result of service charges being billed to Herts County Council following the relocation of the Hemel Hempstead

Library into the Civic Centre. This variance has remained unchanged since Quarter 1.

4. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Forecast Variance		Movement in Forecast £000
			£000	%	
Employees	7,963	8,382	419	5.3%	100
Premises	1,312	1,242	(70)	-5.4%	(57)
Transport	1,421	1,538	117	8.2%	(2)
Supplies & Services	4,615	4,583	(32)	-0.7%	38
Third-Parties	117	117	0	0.0%	0
Income	(9,668)	(9,892)	(224)	-2.3%	(149)
	5,760	5,969	209	3.6%	(70)

4.1 Employees - £419k over budget (5.3%)

Pressure of £230k – There is a pressure of £230k in the budget for Employees costs in Waste Services. At Quarter 1 a figure of £195k had been expected.

A challenging savings target of £420k was put in to the 2015/16 Budget, based on efficiencies to be delivered through the new waste service which was introduced in November 2014. Only a portion of these savings are currently being achieved, as the new service is not proving to be as productive as expected. At the time of the Quarter 1 report, 2 additional waste collection rounds were being required over and above the anticipated round structure. At the current time, this has been reduced to 1 additional round.

A specific Waste Performance group has been set up to review productivity and to tackle the issue of high levels of sickness. A number of staff that were on restricted duties have now returned to full duties, which will improve the situation in the longer term. The quarter 1 projection of £195k assumed that improvements in productivity would come into effect fairly quickly, but it would now seem likely that these will take longer to be realised.

Pressure of £100k – A pressure of £100k is expected in Planning and Building Control. There are a number of vacant posts within the establishment for these services, but the posts have proved very difficult to fill due to county-wide recruitment issues. Agency staff are currently carrying out this work but at a more expensive rate.

Pressure of £90k – A pressure of £124k was reported in the Quarter 1 report as a result of the vacancy provision. This has reduced by £34k as further vacancies within the establishment have arisen.

4.2 Premises - £70k under budget (5.4%)

Underspend of £70k – The budget for Tring Town Development of £100k will only be spent in part in 2015/16. This budget is funded from the Dacorum Development reserve, so the contribution from reserves will be reduced by £70k resulting in no overall impact to the Council's budget. The £70k balance on the

approved amount of £100k will be rolled forward into the budget for 2016/17 to fund the necessary works in Tring town.

4.3 **Transport - £117k over budget (8.2%)**

Pressure of £117k – This pressure has remained fairly constant from Quarter 1 to 2. It has arisen in Waste Services due to the need to hire additional vehicles. As mentioned above there is currently one additional waste collection round being put on over and above the planned rounds. There is also a vehicle on hire pending the purchase of a replacement vehicle through the capital programme.

4.4 **Supplies & Services - £32k under budget (0.7%)**

Underspend of £50k – An underspend of £50k was reported at Quarter 1 in Waste Services. This figure has remained unchanged in Quarter 2. Waste from Housing repairs is no longer being disposed of at Cupid Green depot, as a result of the new Housing repairs contractor Osborne disposing of waste externally. Although a variance is showing in controllable expenditure, this will be offset in full by a lower than budgeted recharge to the HRA. A decrease in recharge income has therefore been shown in the non-controllable section of the report at Appendix A.

A reduction of £50k in the budget for the Local Development Framework (LDF) funded from the LDF reserve was recommended in the Quarter 1 Cabinet report and this adjustment has been made. This accounts for the majority of the movement between the variance at Quarter 1 and the variance at Quarter 2.

4.5 **Income - £224k surplus (2.3%)**

Surplus of £100k – A surplus of £100k is expected in Planning Fees. This is due to a high volume of large one-off applications having already been received, and the forecast for the rest of the financial year looking strong for larger applications.

Surplus of £90k – A surplus of £80k was reported at Quarter 1 on car parking income. This has risen slightly to £90k as parking income continues to perform well in on-street car parking (£35k surplus expected) and off-street car parking (£55k surplus expected).

5 Housing and Community

Housing & Community	Controllable Budget £000	Projected Outturn £000	Forecast Variance		Movement in Forecast £000
			£000	%	
Employees	3,319	3,380	61	1.8%	(24)
Premises	357	317	(40)	-11.2%	1
Transport	39	40	0	0.5%	0
Supplies & Services	1,594	1,609	14	0.9%	(7)
Third Parties	36	36	0	0.0%	0
Income	(4,245)	(4,275)	(30)	0.7%	7
	1,101	1,106	5	0.5%	(22)

5.1 Employees - £61k over budget (1.8%)

Pressure of £61k - A pressure of £45k across services was reported at Quarter 1 linked to the vacancy provision. This figure has increase slightly, particularly in areas such as the Adventure Playgrounds where staffing ratios need to be maintained, and at the Old Town Hall where sickness cover has been required to maintain the full programme of events.

5.2 Premises - £40k under budget (11.2%)

Underspend of £40k – In the Homelessness service, there have been savings in temporary accommodation costs arising from 2 key factors: firstly improved advice and prevention have led to a reduced need for temporary accommodation, and secondly, the Council has been using its own hostels at Leys Road and Woolmer Driver. This variance was reported at Quarter 1 and has remained constant.

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 2015/16 is slightly above the budgeted balance of £2.9m by some £200k.

6.3 Dwelling Rent - £114k over-achievement of income (0.2%)

This overachievement is as a result of the number of void properties being slightly lower than anticipated. The budgeted level was 1%, but void properties are currently running at 0.8%.

6.4 Tenant Charges - £49k over-achievement of income (17.9%)

Unbudgeted grant funding is being received from Herts County Council to contribute towards the Evelyn Sharp Scheme for extra care.

6.5 Leaseholder Charges - £38k shortfall in income (7.5%)

There is a shortfall in leaseholder charges of £38k. This is primarily due to Landlords' Lighting which had been carried out by Mitie on a planned basis. Osborne are now carrying out this work on a responsive basis and this has led to a reduction in costs to the Council. The budget assumed that the planned maintenance would continue and that these costs would be charged back to leaseholders in service charges, however the saving to the Council is being passed back to leaseholders.

6.6 Contribution towards Expenditure - £30k over-achievement of income (5.4%)

A one-off payment has been received for Feed-In Tariffs for William Crook House which was an overdue payment relating to the last 4 years.

6.7 Supervision and Management - £31k over budget (0.3%)

An overspend of £31k is expected from the vacancy provision not being achieved across a number of areas.

6.8 Interest and Investment Income - £130k over-achievement of income (114%)

This over-achievement is as a result of higher than anticipated receipts from the sale of Right to Buy properties. An amount of £3.4m was estimated in the budget, however already this financial year £5.4m has been received.

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 area.

The 'Rephasing' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2016/17 rather than 2015/16, or conversely, where expenditure planned initially for 2016/17 will now be in 2015/16.

The 'Variance' column refers to those projects which are now complete, but have come in under or over budget and those projects which are no longer required.

	Adjusted Budget £000	Projected Outturn £000	Rephasing £000	Variance	
				£000	%
Finance & Resources	11,789	10,941	(873)	25	0.2%
Strategic Planning & Environment	14,474	10,676	(3,145)	(653)	-4.5%
Housing & Community	2,789	2,685	26	(130)	-4.7%
G F Total	29,052	24,302	(3,992)	(758)	-2.6%
HRA Total	35,589	35,702	0	113	0.3%
Grand Total	64,641	60,004	(3,992)	(645)	-1.0%

7.2 General Fund Major Variances

There is an overall projected underspend of £4,750k on the General Fund. This is a combination of forecast underspending of £758k and slippage of £3,992k into 2016/17.

The projected net underspend of £758k is comprised of:

- Line 61: an overspend of £31k on Hemel Gym Refurbishment. The work on this project was completed in 2013 and £79k was slipped into financial year 2014/15 in anticipation of a final invoice. The project manager indicated that the project was complete and fully invoiced, and this slippage was incorrectly taken as a saving in 2014/15. This is now a pressure to the 15/16 budget.
- Line 128: an underspend of £130k on Home Improvement Loans budget. Uptake to this scheme has been low and the budget is not expected to be spent. It is proposed that the budgets allocated for this scheme in future years be removed from the capital programme during the next budget round.
- Line 149: underspend of £129k on the Car Park Refurbishment project. The requirements for 2015/16 have been refined, and 3 car parks will be refurbished this financial year at a cost of £207k rather than the budgeted £336k. A new capital bid will be submitted for works to be carried out to further car parks in 2016/17.
- Line 163: an overspend of £476k on Maylands Phase 1 Improvements. At the time of setting the budget in September 2013, an overall project cost of £1,250k was anticipated. Since this time, costs have been reviewed in greater detail and inflation has also had an impact. The total cost is now expected to be £1.6m. A report has been taken to Cabinet on 20 October 2015, detailing the financial impact of the scheme and requesting additional funding. This report will go on to Council for further approval and budgets will be amended as necessary once this approval has been gained.
- Line 169: an underspend of £1m on the Heart of Maylands project. This scheme was intended to support the provision of highway access and infrastructure serving DBC's landholding on the Maylands Gateway, however this work is no longer required and the budget will not be spent.

The projected rephasing to future years of £3,992k includes:

- Line 54: slippage of £185k at Rossgate Shopping. This is a complex site as it is a mix of commercial properties, private housing and social housing. Consultations need to take place with tenants prior to any work commencing under Section 20 of the Tenants and Landlords Act. Contributions towards expenditure will be expected from private tenants. £15k is expected to be spent this financial year on design work, but the bulk of the structural work will now be in 2016/17.
- Line 55: slippage of £50k on High Street Tring – Replace External Cladding & Roof. Further work to the windows of the building is required in order to meet Health and Safety regulations. A capital bid for this work will be submitted in the next budget round, and the work will be carried out at the same time as the cladding and roof to avoid the need to erect scaffolding at the premises more than once and to achieve economies of scale from the works.
- Line 57: £400k slippage on Berkhamsted Sport Centre roof. The work has not currently been scoped out, and at this stage it is unrealistic to expect spend to take place in 2015/16.
- Line 58: £30k slippage on Tring Sports Centre roof. Again the work has not currently been scoped out, and at this stage it is unlikely the spend will take place in 2015/16.
- Line 70: £81k slippage on Planning Software Replacement. This project was intended for a complete upgrade of the IDOX software, but to date this has not been required as smaller improvements to the system have been sufficient. The budget will be needed in 2016/17 however, for further improvements to Planning software to deliver future service efficiencies.
- Line 94: slippage of £70k on EIS replacement. A decision on EIS replacement will be taken when there is more clarity on whether the Herts Civil Service (Shared Service model) is to be implemented. There is obvious merit in waiting to understand whether this approach will be adopted, as this would facilitate an easier and cheaper HR system transition.
- Line 155: slippage of £62k on the Play Area Refurbishment Programme. The programme of work has been reviewed many times, particularly as individual amounts of section 106 funding are being identified that can be used to fund particular sites. The requirements have now been reworked and the anticipated spend for 2015/16 is £62k less than the budgeted £350k. Any unused funds will be slipped into 2016/17 to fund the programme of works for that year.
- Line 159: slippage of £1.63m on the Fleet Replacement Programme. The requirements of the service for communal properties are still being scoped out, and until this process has been carried out, it would be unwise to rush into a decision regarding purchasing, as the specification of the vehicles will be based on the methodology of collection chosen. A decision is expected towards the end of the calendar year, at which point the procurement process can begin. The build time for refuse vehicles is typically in excess of 6 months which will push the actual purchase into financial year 2016/17.

- Line 164: slippage of £300k on Urban Park. This project will not be completed in 2015/16 now due to other projects such as the Water Gardens taking priority.
- Line 167: slippage of £650k on the Water Gardens. The budgets were based on estimates available at the time. More detailed cash flows have now been obtained which suggest that £650k of the £2.85m budget for 2015/16 will be required in 2016/17.
- Line 171: slippage of £500k on Town Centre Access Improvements project. Options for the scheme have been received and are currently being considered. Pre-assessment work of £20k will be carried out in 2015/16, but the majority of the work will now be in 2016/17.

7.3 Housing Revenue Account Major Variances

- Line 189: an overspend of £121k on the new build at Farm Place. This is due to a S106 payment to Herts County Council of £54k not having been budgeted. The remaining £65k is due to amendments to the specification of the build required by Planning, plus some minor adjustments to the original specification. A saving of £330k was reported last financial year as a result of the tender price being lower than budgeted, but this did not allow for the additional costs which have now come to light.
- Line 192 – 199: these lines relate to the HRA New Build programme. Budgets need to be realigned between new schemes and the New Build General line once the revised HRA Business Plan has been approved by Cabinet.