



Report for:	Cabinet
Date of meeting:	22 September 2020
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 1 2020/21
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Assistant Director (Finance & Resources) James Deane, Corporate Director (Finance & Operations)
Purpose of report:	To provide details of the projected outturn for 2020/21 as at Quarter 1 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	It is recommended that Cabinet consider the budget monitoring position for each of the above accounts and: <ol style="list-style-type: none"> 1. Recommend to Council approval of the revised capital programme to move £7.3m slippage identified at Quarter 1 into financial year 2021/22 as detailed in Appendix C. 2. Recommend to Council approval of supplementary revenue budgets as follows: <ul style="list-style-type: none"> • Supplementary budget of £140k in The Forum premises budget to fund the costs of ensuring the building is safe for staff to return under Coronavirus. • Supplementary budget of £60k in the Premises Insurance budget to fund additional costs of Uninsured Losses, to be funded from the Uninsured Losses reserve. • Supplementary budget of £253k in the Building Control service to fund the final settlement of Work in Progress following the transfer of the service to Hertfordshire Building Control. This is to be funded from the Management of Change reserve.

	<ul style="list-style-type: none"> • Supplementary budget of £33k 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. <p>3. Recommend to Council approval of supplementary capital budgets as follows:</p> <ul style="list-style-type: none"> • A capital budget of £90k in the Waste and Recycling Capital budgets for new Wheeled Bins. • Additional budget of £400k in the Fleet Replacement Budget, to fund additional vehicles. • Capital budgets of £24k and £19k to fund electrical upgrade works at Berkhamsted Civic Centre and Victoria Hall Tring respectively. • Capital budget of £15k for essential roofing improvements at The Denes.
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Implications:	<p><u>Financial</u> This report outlines the financial position for the Council for 2020/21 and so summarises the financial implications of 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 2020/21 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>Deputy Section 151 Officer: This is a Deputy S.151 Officer report.</p> <p>Monitoring Officer: 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</p>

1. Executive Summary

- 1.1** General Fund revenue outturn – the Council is facing significant financial pressures as a result of the coronavirus. Overall in the General Fund a pressure of £5.8m is forecast, of which £5.5m results from the implications of coronavirus.

At this relatively early stage in the financial year, the majority of the forecast pressures are estimates of how budgets might be affected over the longer-term. As a result, the forecasts are subject to potentially significant change during the course of the financial year.

The forecasts do not include potential funding of income shortages announced by the government on 2nd July to fund 75% of income losses over 5% of budget. Further details on this funding are expected shortly, but it is estimated that circa £1.5m could be reimbursed to the Council under this scheme.

- 1.2** Housing Revenue Account outturn – The HRA is currently forecasting a surplus of c£900k. The major variances are an increase to the bad debt provision of £1.1m, and reduced expenditure of £2.2m on the repairs budgets.
- 1.3** General Fund Capital – increased expenditure of £0.5m is forecast against capital budgets.
- 1.4** HRA Capital - £7.3m of slippage is expected in the HRA capital budgets, predominantly in Planned Fixed Expenditure where internal works have been reprogrammed to future years due to accessibility issues.

2. Introduction

- 1.5** The purpose of this report is to present the Council's forecast outturn for 2020/21 as at the 30 June 2020. The report covers the following budgets with associated appendices:

- General Fund - Appendix A. A pressure against budget of £5.8m is forecast.
- Housing Revenue Account (HRA) - Appendix B. A surplus of £0.9m is forecast.
- Capital Programme - Appendix C. An overspend of £0.5m is forecast in the General Fund, for which supplementary capital budgets are requested. In the HRA, budget re-phasing to future years of £7.3m is forecast, which is 17% of the overall programme. This is due to the necessary suspension of internal works under Covid-19.

3. General Fund Revenue Account

1.6 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).

1.7 Appendix A provides an overview of the General Fund forecast outturn position.

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

Table 1	Key Financial Pressure	Description
Scrutiny Committee		
Finance & Resources	£2.7m	Investment Property income
Finance & Resources	£1m	Car Parking income
Housing and Community	£0.9m	Garages Income
Strategic Planning and Environment	£1m	Waste Services (cost pressures in Domestic Waste; income pressure in Commercial Waste)

1.8 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	11,988	14,545	2,557	21.3%
Housing & Community	1,686	2,670	984	58.4%
Strategic Planning and Environment	11,098	12,753	1,655	14.9%
Total Operating Cost	24,772	29,968	5,196	21.0%
Investment Property	(4,374)	(1,674)	2,700	(61.7%)
Core Funding	(20,399)	(22,480)	(2,081)	10.2%
Contribution (to)/ from General Fund Working Balance	(1)	5,814	5,815	

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

4. Finance and Resources, Investment Property and Core Funding

Table 3 Finance & Resources	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	13,819	14,174	355	2.6%
Premises	2,020	2,082	62	3.1%
Transport	296	296	0	0.0%
Supplies & Services	3,915	4,490	575	14.7%
Third-Parties	789	789	0	0.0%
Transfer Payments	47,144	47,144	0	0.0%
Income	(6,051)	(4,426)	1,625	(26.9%)
Other Income	(50,237)	(50,237)	0	0.0%
Earmarked Reserves	293	233	(60)	(20.5%)
Total	11,988	14,545	2,557	21.3%

	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Investment Property	(4,374)	(1,674)	2,700	(61.7%)
Core Funding	(20,399)	(22,480)	(2,081)	10.2%
Total	(24,773)	(24,154)	619	(2.5%)

4.1 Employees - £355k pressure against budget

The forecast pressure against employee budgets includes:

- £160k expected pressure due to increased demand for services as a result of Covid-19. Increased staffing requirements are expected in areas such as Revenues and Benefits and Environmental Protection as a result of service pressures brought about by Covid-19.
- £60k agency cost within the Estates service. Agency staff have been required to fill professional property roles in the short term while recruitment to vacant posts takes place.
- £60k pressure within Neighbourhood Delivery due to interim resource to support delivery of new initiatives within the service.
- £70k additional staffing costs in Financial Services due to a requirement for temporary staff to support the closure of accounts process.

4.2 Premises - £62k pressure against budget

A pressure against uninsured losses of £60k is forecast. Insurance premiums and uninsured loss claims increased during 2019/20 over levels seen in previous years. It is expected that this increased spend will continue into 2020/21. At Quarter 1, based on prior year trends, it is expected that this pressure will arise largely against uninsured losses relating to premises costs. A supplementary budget of £60k is requested, funded from the Uninsured Losses reserve.

4.3 Supplies & Services - £575k pressure against budget

A pressure of £525k relates to support payments made to the Council's leisure provider Everyone Active (EA) to support their losses during the period of closure of the leisure centres. An initial support payment of £205k was made to allow EA to top up the furlough pay for their staff to 100% of salary in the first 3 months of closure. A second support payment of £320k has been agreed relating to July to September to support reopening of leisure services across Dacorum, as soon as restrictions were lifted. The council is obliged to support EA during this period, as the closure of leisure centres has arisen due to a change in law (The Coronavirus Act 2020), which provides EA with contractual protection. The support payments have also ensured that the leisure centres could re-open as quickly as possible since lifting of the lockdown restrictions.

4.4 Income - £1.62m pressure

The forecast pressure in income against budget includes:

- £1.1m pressure in car parking income. This income stream has been severely affected by the coronavirus pandemic, particularly in the lockdown period during Q1 where income was 85% down on budget. As restrictions are relaxed and town centres become busier, the income is expected to recover quickly.
- £0.3m pressure in the management fee income due from the Council's leisure provider. As part of the support package to EA, the management fee has been waived for the period of time that the leisure centres were closed or only partially open. A portion of this lost income may be reimbursed via central government income losses reimbursement scheme.

4.5 Premises costs to ensure Civic Buildings are Covid secure

Costs of c. £140k have been incurred to ensure that The Forum and all Civic Buildings are Covid secure. These costs include automated doors, perspex screening and temperature checking facilities. A supplementary budget of £140k is requested to be funded from a drawdown from the Civic Buildings Reserve.

4.5 Investment Property Income - £2.7m pressure

This estimated pressure arises from the potential deficit in rental income from commercial assets. The level of rental arrears has increased year on year in the early part of 2020/21 and this expected to continue to grow as commercial tenants have exhausted their reserves, utilised government grants and are still limited by trading restrictions linked to Covid. The forecast is very much dependent on the extent of the expected recession, which will dictate how badly businesses are affected and for how long. The Estates service are being very proactive with tenants and arranging payment plans to support these businesses in the short term.

4.6 Core Funding - £2m additional funding

Additional government grant income has been received as follows:

- £1.8m of Covid-19 support grant has been received from MHCLG. There is currently no indication that further funding will be received, other than reimbursement of 75% of sales, fees and charges income as mentioned in paragraph 1.1.
- New burdens funding of £170k, to support administration of the Retail, Leisure and Hospitality Grants and Small Business Grants.
- £72k of new burdens funding relating to the Revenues and Benefits service.

5. Strategic Planning and Environment

Table 4 Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	10,300	10,864	564	5.5%
Premises	990	990	0	0.0%
Transport	1,240	1,370	130	10.5%
Supplies & Services	2,100	2,339	239	11.4%
Third-Parties	113	113	0	0.0%
Income	(5,397)	(4,675)	723	(13.4%)
Capital Charges	1,571	1,571	0	0.0%
Earmarked Reserves	181	181	0	0.0%
Total	11,098	12,753	1,655	14.9%

4.1 Employees - £564k pressure against budget

A pressure of £545k relates to Waste services employees' costs from additional agency requirements. This is due to over 20 staff self-isolated for 12 weeks at the start of the lockdown period and more recently during July, a rolling 6 or 7 in self-isolation.

4.2 Transport - £130k pressure against budget

A pressure of £100k relates to the maintenance of ageing fleet vehicles in Waste Services. This pressure is expected to continue until the full fleet of waste vehicles is received later in the financial year.

A pressure of £40k relates to hire of waste vehicles to support social distancing requirements.

4.3 Supplies and Services - £239k pressure against budget

A pressure of £185k is expected in Waste Services from the increased cost of disposal of comingled recycling. This is as a result of 3 factors: firstly, tonnages of recyclable waste have increased by 30% as a result of households being at home during lockdown and continuing to work from home; secondly the contractor has charged additional processing fees to fund the costs of safe working conditions under Covid; and thirdly the global market for recyclables has declined leading to a reduction in income for recyclables.

4.4 Income – £723k pressure against budget

The forecast pressures in income budgets are all Covid-19 related:

- Pressure of £300k in Planning Income. This income stream is down 20% on profiled budget as at the end of June. Significant reductions are anticipated for the remainder of the year due to impact on household incomes and developer nervousness over longer-term implications for the housing market.
- Pressure of £240k in Commercial Waste Income. This variance arises from the anticipated pressure on income from businesses no longer operating and increase in bad debtors. This will be recession-dependent and will be monitored through the broader economic recovery.
- Pressure of £120k in Land Charges. The Housing market is likely to stagnate for a period as households await a more clearly emerging economic picture.
- Pressure of £65k in Maylands Business Centre income. A pressure is expected in rental income, dependent upon how businesses are affected by the potential economic recession.

4.5 Building Control Work in Progress

A final settlement figure has been agreed with Hertfordshire Building Control (HBC) relating to income received prior to the transfer of building control to HBC for work not yet completed, known as Work in Progress. A supplementary budget of £253k is requested to be funded from the Management of Change reserve.

6. Housing and Community

Table 5 Housing and Community	Current Budget	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	4,098	4,097	(1)	(0.0%)
Premises	1,003	1,094	91	9.1%
Transport	14	14	0	0.0%
Supplies & Services	1,148	1,163	15	1.3%
Transfer Payments	5	5	0	0.0%
Income	(5,680)	(4,801)	879	(15.5%)
Capital Charges	1,083	1,083	0	0.0%
Earmarked Reserves	15	15	0	0.0%
Total	1,686	2,670	984	58.4%

4.6 Premises - £91k overspend against budget

Pressure of £65k from the cost of providing emergency Bed and Breakfast Accommodation to those at risk of sleeping rough during the Covid-19 pandemic.

4.7 Income - £879k pressure against budget

Pressure of £900k in Garages income. Although the current void level is at 30.5%, it is envisaged that this will increase, as will the level of bad debt, as a result of the recession. There is a risk that garages may represent an early cost saving for a household in financial difficulties.

4.8 Garage Project Manager

A specialist project manager has been commissioned to continue the work on improvements to the garage letting process. A drawdown of £33k from the Invest to Save reserve is requested to fund this expenditure.

7. Housing Revenue Account (HRA)

4.9 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.

4.10 The projected HRA balance at the end of 2020/21 is a surplus of £887k. 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 2020/21 is confirmed later in the financial year.

4.11 Repairs and Maintenance - £2.2m under budget

This variance has arisen due to the Covid-19 pandemic, as internal or intrusive works cannot take place under the prevailing circumstances. Workstreams have been re-prioritised and non-essential internal works will be reduced for the first 6 months of year. At this stage, it is not expected that contractors will have the capacity to catch up later in the year with planned works.

4.12 Provision for Bad Debts - £1.1m over budget

It is expected that an increase in arrears of rental income will be seen this financial year, due to an increasing number of tenants in financial hardship. At this stage, it is very difficult to predict the level of arrears, as more tenants are moving on to Universal Credit, which may cause an initial delay in rental income being received. The Income team are working very closely with tenants to support them during this time, to arrange payment terms and assist with accessing benefits if appropriate.

8. Capital Programme

4.13 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 2020, plus approved amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred, but will now be in 2021/22 rather than 2020/21 ('slippage'), or conversely, where expenditure planned initially for 2021/22 has been incurred in 2020/21 ('accelerated spend'). A revised capital programme to re-phase slippage identified at Quarter 1 into 2021/22 is requested.

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

Table 6	Current Budget £000	Rephasing £000	Revised Budget £000	Forecast Outturn £000	Variance	
					£000	%
Finance & Resources	5,497	0	5,497	5,497	0	0.00%
Strategic Planning and Environment	2,677	0	2,677	3,170	493	18.44%
Housing & Community	3,913	0	3,913	3,913	0	0.00%
GF Total	12,087	0	12,087	12,581	493	4.08%
HRA Total	30,538	(7,262)	23,276	23,574	298	0.98%
Grand Total	42,626	(7,262)	35,363	36,155	792	1.86%

4.14 General Fund Major Variances

There is a forecast overspend of £0.5m in General Fund capital budgets.

- Line 143: additional expenditure of £0.1m on Waste Services wheeled bins. New bins have an estimated useful life of greater than a year and have therefore been treated as capital expenditure. A supplementary capital budget is requested to fund these costs in 2020/21, and additional budget for future years will be requested as part of the budget setting process going forward.
- Line 149: additional spend of £0.4m on Fleet Replacement Programme. In order to reduce the cost of hiring vehicles, additional waste vehicles will be purchased in this financial year at a cost of £350k. This includes one 26 tonne vehicle to add to the existing fleet of vehicles and two 7.5 tonne food waste trucks which were secured at a discounted price. Vehicles are also required for the Housing Cleaning service at additional cost of £50k. A supplementary capital budget is requested to fund this expenditure.

4.15 Additional Capital Budgets

Supplementary capital budgets are required to fund essential maintenance and Covid compliance works at civic buildings. These are:

- Berkhamsted Civic Centre electrical upgrade works £24k
- Victoria Hall Tring electrical upgrade work £19k

A supplementary budget of £15k for essential roofing improvements at The Denes is also required.

4.16 Housing Revenue Account Major Variances

There is estimated slippage of £7.3m in the HRA capital programme, and forecast additional spend of £0.3m.

This includes the following items:

- Lines 169-173: £6.4m of slippage on Property and Place budgets. Due to the Covid-19 pandemic, non-essential intrusive works such as kitchen and bathroom replacements are not able to be carried out in the first half of the year, apart from in void properties. Where possible external works are being re-prioritised such as roofing and estate improvements.
- Line 174: £0.85m of slippage on Special Projects. This scheme is for extension works to sheltered schemes including provision of additional units. The project has been subject to delay as the initial tender is no longer valid, and in the current Coronavirus environment additional works to sheltered accommodation is not considered wise. The scheme will be re-worked and a tender re-let in due course.
- Line 179: £0.2m under budget on Martindale. As the scheme nears completion, it is expected that the full contingency will not be required.
- Line 180: overspend of £0.4m on Stationers Place. This includes £0.2m of additional costs relating to safety measures around Covid-19, and change controls regarding drainage, planning and ground conditions.
- Line 182 Coniston Road: £0.8m of slippage. The tender period has been extended due to Covid-19 as a number of contractors had furloughed key staff. The tender award is now planned for September Cabinet rather than July.
- Line 184 St Margaret's Way: accelerated spend of £0.15m. Preparatory work on this site is ahead of schedule.
- Line 185 Paradise Fields: accelerated spend of £0.8m. This includes an overage payment on the site which was always known about and factored into budgets, however the payment is now expected earlier, as more clarity has been gained on the legalities of the overage.
- Line 192 Cherry Bounce: slippage of £0.1m. The scheme is still in its early stage and some slippage is foreseen.

9. Conclusions and recommendations

4.17 As at Quarter 1 2020/21, there is a forecast pressure of £5.8m against General Fund budgets and a forecast surplus of £0.9m against Housing Revenue Account budgets.

4.18 As at Quarter 1 2020/21, against General Fund capital there is forecast budget pressure of £0.5m. Against Housing Revenue Account capital schemes, budget rephasing of £7.3m is forecast and outturn is expected to be £0.3m over budget.

4.19 Members are asked to:

- note the forecast outturn position as at Quarter 1
- recommend to Council the approval of the revised capital programme to move slippage identified at Quarter 1 into financial year 2021/22;
- 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.