



Report for:	Cabinet
Date of meeting:	21 September 2021
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 1 2021/22
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 2021/22 as at Quarter 1 for the: <ul style="list-style-type: none">• General Fund• Housing Revenue Account• Capital Programme
Recommendations	<p>It is recommended that Cabinet considers the budget monitoring position for each of the above accounts and:</p> <ol style="list-style-type: none">1. Recommends to Council approval of the revised HRA capital programme to move £4.63m slippage identified at Quarter 1 into financial year 2022/23 as detailed in Appendix C.2. Recommends to Council approval of a supplementary revenue budget of £590k in the Leisure budget, funded from the Economic Recovery Reserve, for financial support to the Council's leisure provider Everyone Active.
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Implications:	<u>Financial</u> This report outlines the financial position for the Council for 2021/22 and so summarises the financial implications of 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 report outlines the financial position for the Council for 2021/22 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:	Deputy Section 151 Officer: This is a Deputy S.151 Officer report. Monitoring Officer: No comments to add to the 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 HCC – Hertfordshire County Council AFM – Alternative Financial Model

1. Executive Summary

- 1.1 General Fund revenue outturn – General Fund revenue budgets are forecasting a deficit of c. £1m. This pressure is a combination of £0.7m that is attributable to the ongoing effects of Covid-19, and £0.3m which is non-Covid related. The Covid pressure of £0.7m is scheduled to be funded from the Economic Recovery Reserve which was specifically set up for this purpose, once the overall year end position is confirmed later in the financial year.
- 1.2 Housing Revenue Account outturn – The HRA is currently forecasting a minor surplus of £59k.
- 1.3 General Fund Capital – General Fund capital budgets are reporting to budget at Quarter 1.
- 1.4 HRA Capital – there is forecast slippage of £4.6m (11% of the budget) in the HRA capital programme. Further detail is provided in section 8. A recurrent theme of these delays is the impact of the Covid-9 pandemic, since the majority of the delays are linked to extended timescales around planning permission, tender processes and contractor mobilisation that have all arisen as a result of the pandemic. The capital budget was proposed in December 2020 and since then the uncertainty brought about by the pandemic has continued.

2. Introduction

The purpose of this report is to present the Council's forecast outturn for 2021/22 as at the 30 June 2021. The report covers the following budgets with associated appendices:

- General Fund - Appendix A. A pressure against budget of c. £1m is forecast.
- Housing Revenue Account (HRA) - Appendix B. A small surplus of £59k is forecast.
- Capital Programme - Appendix C. General Fund budgets are reporting to budget at this stage of the financial year, with HRA forecasting re-phasing to future years of £4.6m (11% of budget).

3. General Fund Revenue Account

3.1 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).

3.2 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 Scrutiny Committee	Key Financial Pressure	Description
Finance & Resources	£0.3m	Car Parking income
Housing and Community	£0.3m	Temporary Accommodation income and voids repair costs
Strategic Planning and Environment	£0.4m	Waste Services cost and income pressures

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	7,457	7,542	85	1.1%
Strategic Planning and Environment	10,871	11,417	546	5.0%
Housing & Community	1,779	2,045	266	15.0%
Total Operating Cost	20,107	21,004	897	4.5%
Core Funding	(20,107)	(20,052)	55	(0.3%)
Contribution (to)/ from General Fund Working Balance	0	952	952	

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

4. Finance and Resources and Core Funding

Table 3 - Finance & Resources	Current Budget	Forecast Outturn	Variance	
	£0	£0	£0	%
Corporate and Contracted Services	2,975	3,053	78	2.6%
Performance, People and Innovation	3,213	3,213	0	0.0%
Chief Executive and Strategic Management Team	576	576	0	0.0%
Finance & Resources	45	60	15	33.3%
Neighbourhood Delivery	176	175	(1)	(0.6%)
Planning, Development and Regeneration	472	465	(7)	(1.5%)
Total	7,457	7,542	85	1.1%

	Current Budget	Forecast Outturn	Variance	
	£000	£000	£000	%
Core Funding	(20,107)	(20,052)	55	(0.3%)

4.1 Corporate and Contracted Services £78k pressure against budget

The forecast pressure includes:

- £330k pressure in car parking income. The income stream has been affected by restrictions imposed by the Covid-19 pandemic, particularly in the early part of the year where income was 27% down on budget. As restrictions have eased from mid May, the income has begun to improve to around 20% down on budget, however footfall in the Council car parks has not yet returned to pre-pandemic levels.
- This pressure is being offset by a number of minor underspends as follows:
 - Underspend of £40k from vacant posts in Legal and Corporate services which will be filled later in the financial year
 - Savings in administrative budgets such as mailing and office expenses from new ways of working £30k
 - Maternity leave in the service £41k
 - Government compensation from lost income on the Leisure contract £90k
 - Additional income above budget on The Forum £40k

4.2 Supplementary Budget Required

A supplementary budget of £590k is requested in the leisure service, in order to fund support payments to the Council's leisure provider. These will ensure the continual operation of the leisure facilities in the borough following the re-opening of leisure centres and easing of social restrictions. It is proposed that this be

funded from the Economic Recovery Reserve which was specifically set up to meet the costs arising from the Covid-19 pandemic.

4.3 Core Funding - £55k pressure against budget

- £325k of additional government grant income has been received as follows:
 - £250k of support relating to the administration of Covid-19.
 - £75k of new burdens funding to meet new Local Authority statutory requirements.
- Pressure of £250k in Investment Income. A pressure on the budget is anticipated, as interest rates remain very low following Bank of England base-rate reduction in March 2020.
- Pressure of £130k in additional costs incurred from the costs of repairs to void Temporary Accommodation properties. The higher than budgeted cost reflects the current high usage of properties for Temporary Accommodation. A revised schedule and scope of works is being undertaken given the current demand levels.

5. Strategic Planning and Environment

Table 4 - Strategic Planning & Environment	Current Budget	Forecast Outturn	Variance	
	£0	£0	£0	%
Neighbourhood Delivery	9,954	10,464	510	5.1%
Planning, Development and Regeneration	899	935	36	4.0%
Finance & Resources	18	18	0	0.0%
Total	10,871	11,417	546	5.0%

5.1 Neighbourhood Delivery - £510k pressure against budget

- A pressure of £300k relates to Waste services employees' costs and vehicle hire costs. This is due to ongoing access issues from residents continuing to work from home and staffing challenges.
- A pressure of £120k relates to income from the Alternative Financial Model (AFM). No income is expected from the AFM due to high levels of residual waste (loss of £260k income). This is partially offset by additional income from recycling credits which is expected to over-achieve budget by £140k from increased tonnage.
- A pressure of £50k relates to the income budget for Commercial Waste, which is still being impacted by the effect of the Covid-19 pandemic,
- A pressure of £40k relates to the cost of fly-tipping clearances. This carries a high cost, particularly when asbestos disposal is required.

6. Housing and Community

Table 5 - Housing & Community	Current Budget £0	Forecast Outturn £0	Variance £0	%
Corporate and Contracted Services	564	564	0	0.0%
Performance, People and Innovation	1,427	1,427	0	0.0%
Communities	1,442	1,451	9	0.6%
Housing	(1,654)	(1,397)	257	(15.5%)
Total Operating Cost	1,779	2,045	266	15.0%

6.1 Housing - £257k overspend against budget

- A pressure of £200k has arisen against the budget for Temporary Accommodation (TA) income.

£90k is arising due to void properties in the Council's hostels, (£50k) and in properties used for TA (£40k). In communal hostels, it is not possible to achieve maximum capacity on all units as it would be unsafe to do so under current circumstances. In properties being used for TA, there are a high number of void properties due to the complexity of the work required to ensure the properties are fit for purpose.

A pressure of £110k relates to a project to convert new units into TA. This has taken longer than anticipated due to the extensive work that is required in converting the properties into suitable accommodation, including obtaining planning permission.

- The residual variance of £57k arises mainly from pressures in staffing budgets in Private Sector Housing and Housing Options, as a result of staff sickness and maternity leave.

7. Housing Revenue Account (HRA)

7.1 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.

7.2 The projected HRA balance at the end of 2021/22 is a surplus of £59k. 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 2021/22 is confirmed later in the financial year.

7.3 Dwelling Rents - £279k under achievement in income

The void rate is running slightly higher than the budgeted 0.8%, at 1.12%. This is particularly attributable to voids at sheltered schemes as a direct result of the pandemic.

7.4 Tenants Charges - £131k under achievement in income

In line with the Dwelling Rent variance, this variance has predominantly arisen due to the increased void levels at sheltered schemes.

7.5 Contribution towards Expenditure - £150k under achievement in income

The income budget for minor capital receipts and rechargeable works is not expected to be fully achieved, due to lower activity as a result of the coronavirus pandemic.

7.6 Repairs and Maintenance - £703k under budget

This variance has arisen due to an underspend in the £1m budget set aside for a full stock condition survey. It has been decided to carry out a phased process, with a quarter of the council's stock being surveyed this financial year. The unspent portion of this budget will need to be carried forward into future financial years.

7.7 Supervision and Management - £165k over budget

This variance is comprised of a number of items including the following:

- £300k underspend on vacancies to be filled later in the financial year and underspend on general budgets where activity is lower due to Covid
- £220k share of the Transformation programme costs, funded from a reduced revenue contribution to capital (as agreed by Cabinet in June 2021)
- £100k of expenditure required to ensure asbestos compliance
- £100k for additional cleaning of communal areas in sheltered schemes

7.8 Rent, Rates and Taxes - £139k over budget

This pressure has arisen due to Council Tax liability from the change in empty homes discount from 3 months to 1 month. This pressure was seen in 2020/21 and is expected to continue into 2021/22. The budget will be corrected for 2022/23.

8. Capital Programme

8.1 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 2021, plus approved amendments.

8.2 The ‘rephasing’ column refers to projects where expenditure is still expected to be incurred, but will now be in 2022/23 rather than 2021/22 ('slippage'), or conversely, where expenditure planned initially for 2022/23 has been incurred in 2021/22 ('accelerated spend').

8.3 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	4,068	0	4,068	4,068	0	0.0%
Strategic Planning and Environment	4,783	0	4,783	4,783	0	0.0%
Housing & Community	2,849	0	2,849	2,849	0	0.0%
GF Total	11,700	0	11,700	11,700	0	0.0%
HRA Total	43,043	(4,630)	38,413	38,413	0	0.0%
Grand Total	54,743	(4,630)	50,113	50,113	0	0.0%

9. General Fund Major Variances

- General Fund capital budgets are reporting to budget as of Quarter 1 2021/22.
- 9.1 Housing Revenue Account Major Variances**

There is estimated slippage of £4.6m in the HRA capital programme.

This includes the following items:

- Line 165: Slippage of £1.2m on DBC Commissioned Capital Works. This is comprised of two elements; firstly £675k slippage on Pelham Court upgrade works due to complexities in the design. Feasibility has been undertaken with a start on site now expected in the first half of 2022/23. Secondly, £500k of work has been re-phased into 2022/23 awaiting the finalisation of Building Safety legislation. Compliance work such as fire door upgrade work, and the external works at Fennycroft and Eastwick Row is being prioritised and carried out now, however as the Building Safety legislation has not been finalised, it is important to ensure that investment aligns with the requirements of this. In the meantime all necessary work to ensure the safety of the council's buildings is being undertaken.

In the HRA new build programme, where the detailed budgets were set in the autumn of 2020, there are a number of factors that affect the timing of costs against the original plan. These are:

- Line 175: Slippage of £281k on Coniston Road. The contract award and mobilisation process have taken slightly longer than expected, however the

scheme is now on site and is scheduled to complete during the first half of 2022/23.

- Line 176: Accelerated spend of £493k on Eastwick Row. The scheme is on site and is progressing well, requiring budget to be accelerated from 2022/23.
- Line 177, 183 and 185: Slippage of £167k on St Margaret's Way, £145k on Marchmont and £292k on Cherry Bounce. The planned expenditure for consultancy has been refined leading to a variance against budget.
- Line 178 and 180: Slippage of £869k on Paradise Fields and £176k on Randalls Ride. For both schemes the tender process has proved more protracted than was previously expected, which had led to a variance against the budgeted expenditure.
- Line 181 and 182: Slippage of £1.5m on Garage sites and £496k on Wilstone. Obtaining planning permission on these sites has proved more complex and protracted than expected. Planning applications are taking longer to journey through the planning process, because dealings with third parties and statutory consultees such as HCC or the Environment Agency are taking much longer than prior to the Covid pandemic.

10. Conclusions and recommendations

10.1 As at Quarter 1 2021/22, there is a forecast pressure of c. £1m against General Fund budgets and a forecast surplus of £59k against Housing Revenue Account budgets.

10.2 As at Quarter 1 2021/22, General Fund capital budgets are reporting to budget. Against Housing Revenue Account capital schemes, budget rephasing of £4.6m is forecast.

10.3 Members are asked to:

- Note the forecast outturn position as at Quarter 1
- Recommend to Council the approval of the revised HRA capital programme to move slippage identified at Quarter 1 into financial year 2022/23;
- Recommend to Council the approval of supplementary revenue budgets set out in the report.