



<b>Report for:</b>	<b>Cabinet</b>
<b>Date of meeting:</b>	<b>15<sup>th</sup> February 2022</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Budget Monitoring Quarter 3 2021/22</b>
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Chief Finance Officer Fiona Jump, Group Manager Financial Services
Purpose of report:	To provide details of the projected outturn for 2021/22 as at Quarter 3 for the: <ul style="list-style-type: none"> <li>• General Fund</li> <li>• Housing Revenue Account</li> <li>• Capital Programme</li> <li>•</li> </ul>
Recommendations	It is recommended that Cabinet considers the budget monitoring position for each of the above accounts and: <ol style="list-style-type: none"> <li>1. Recommends to Council approval of the revised capital programme to move £5.78m slippage identified at Quarter 3 into financial year 2022/23 as detailed in Appendix C.</li> <li>2. Approves a capital virement of £0.08m to vire budget from the Dacorum Athletics track works budget to the Town Centre Access Improvements project budget.</li> </ol>
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:	<p><b>Section 151 Officer:</b></p> <p>This is a S.151 Officer report.</p> <p><b>Monitoring Officer:</b></p> <p>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</p> <p>HRA – Housing Revenue Account</p> <p>AFM – Alternative Financial Model</p> <p>DLUHC – Department for Levelling Up, Housing and Communities</p>

## **1. Executive Summary**

- 1.1** General Fund revenue outturn – General Fund revenue budgets are forecasting a deficit of £0.13m. The position includes a drawdown of funding from the Economic Recovery Reserve (ERR) of £0.55m to cover Covid- related pressures. This approach was recommended to Council for approval by Cabinet in November 2021. The Economic Recovery Reserve was specifically set up to fund pressures associated with Covid.
- 1.2** Housing Revenue Account outturn – The HRA is currently forecasting a deficit of £0.86m. At the end of the financial year, this can be funded from revenue reserves or from a reduced Revenue Contribution to Capital. This will be a decision for Members to take at the end of the financial year.
- 1.3** General Fund Capital – General Fund capital budgets are reporting further slippage of £0.68m with an overspend of £0.31m at Quarter 3.
- 1.4** HRA Capital – there is further forecast slippage of £5.10m in the HRA capital programme. This slippage is predominantly in new build schemes where challenges are being experienced, including those arising from dealing with third parties. Further information is provided in this report.

### **Introduction**

- 1.5** The purpose of this report is to present the Council's forecast outturn for 2021/22 as at the 31<sup>st</sup> December 2021. The report covers the following budgets with associated appendices:
- General Fund - Appendix A. A pressure against budget of £0.13m is forecast.
  - Housing Revenue Account (HRA) - Appendix B. A deficit of £0.86m is forecast.
  - Capital Programme - Appendix C. General Fund budgets are reporting slippage of £0.68m with an overspend of £0.31m at quarter 3. The HRA is forecasting slippage of £5.10m to future financial years.

### **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 pressures, before any mitigation from the application of reserve funding:

<b>Table 1</b> <b>Scrutiny Committee</b>	<b>Key Financial Pressure £'000</b>	<b>Description</b>
Finance & Resources	400	Car Parking income.
Housing and Community	300	Temporary Accommodation income and voids repair costs.
Strategic Planning and Environment	500	Waste Services cost and income pressures

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

<b>Table 2</b>	<b>Current Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Variance</b>	
			<b>£000</b>	<b>%</b>
Finance & Resources	7,517	7,502	<b>(15)</b>	(0.2%)
Strategic Planning and Environment	1,800	2,061	<b>261</b>	14.5%
Housing & Community	10,790	10,811	<b>21</b>	0.2%
<b>Total Operating Cost</b>	<b>20,107</b>	<b>20,374</b>	<b>267</b>	1.3%
Core Funding	(20,107)	(20,247)	<b>(140)</b>	0.7%
<b>Contribution (to)/ from General Fund Working Balance</b>	<b>0</b>	<b>127</b>	<b>127</b>	

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

## 2. Finance and Resources and Core Funding

<b>Table 3 - Finance &amp; Resources</b>	<b>Current Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Variance</b>	
			<b>£000</b>	<b>%</b>
Corporate and Contracted Services	3,035	3,058	<b>23</b>	0.8%
Performance, People and Innovation	3,213	3,250	<b>37</b>	1.2%
Chief Executive and Strategic Management Team	576	576	<b>0</b>	0.0%
Finance & Resources	45	(57)	<b>(102)</b>	(226.7%)
Neighbourhood Delivery	176	186	<b>10</b>	5.7%

Planning, Development and Regeneration	472	489	17	3.6%
<b>Total</b>	<b>7,517</b>	<b>7,502</b>	<b>(15)</b>	<b>(0.2%)</b>

	Current Budget	Forecast	Variance	
	£000	Outturn	£000	%
Core Funding	(20,107)	(20,247)	(140)	(0.3%)

## 2.1 Corporate and Contracted Services £20k pressure against budget

The forecast pressure includes a draw down from the ERR to support pressures against car parking income. This income stream has been affected by restrictions imposed by the Covid-19 pandemic, particularly in the first quarter of the year where income was 23% down on budget. Subsequent quarters have improved, but the income stream is still being impacted by the change in behaviour of both shoppers and commuters.

## 2.2 Finance & Resources £100k surplus against budget

This includes:

- £600k surplus in Investment Property income. Income invoiced is up on budget. The level of void properties is higher than pre-Covid levels, and may increase as the year goes, but collection rates have held up well and are only slightly below pre-Covid levels. This is due to the proactive approach of the Commercial Assets and Accounts Receivable teams in working with tenants to agree terms of payment such as payment plans.

This surplus is being offset by a number of overspends, including:

- £90k pressure in the income budget for the Bunkers Farm new crematorium site due to delays experienced.
- £140k pressure in Insurance costs.
- £80k pressures across the Revenues and Benefits service and Financial Services on staffing budgets, the budget for cash processing services and other more minor expenditure lines.

## 2.3 Core Funding - £140k surplus against budget

- £520k of additional government grant income has been received, including £0.25m of support relating to the administration of Covid-19.
- Pressure of £250k in Investment Income. A pressure on the budget is anticipated, as interest rates remain very low following the 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.

## 2.4 Strategic Planning and Environment

Table 4 - Strategic Planning & Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Neighbourhood Delivery	9,954	9,938	(16)	(0.2%)
Planning, Development and Regeneration	818	819	1	0.1%
Finance & Resources	18	54	36	200.0%
<b>Total</b>	<b>10,790</b>	<b>10,811</b>	<b>21</b>	<b>0.2%</b>

## 2.5 Neighbourhood Delivery - £10k surplus against budget

The position includes ERR funding to support Covid-related pressures against waste services employees' costs and vehicle hire costs. These additional costs have arisen due to ongoing access issues from residents continuing to work from home and staffing challenges.

Also supported by the ERR is a pressure relating to income from the Alternative Financial Model (AFM). No income is expected from the AFM due to high levels of residual waste. This is partially offset by additional income from recycling credits which is expected to over-achieve against budget due to increased tonnage.

- 2.6 Planning, Development and Regeneration Services are broadly on budget. There are minor overspends within some Finance and Resources service areas.

## 3. Housing and Community

Table 5 - Housing & Community	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Corporate and Contracted Services	564	519	(45)	(8.0%)
Performance, People and Innovation	1,448	1,433	(15)	(1.0%)
Communities	1,442	1,452	10	0.7%
Housing	(1,654)	(1,343)	311	(18.8%)
<b>Total Operating Cost</b>	<b>1,800</b>	<b>2,061</b>	<b>261</b>	<b>14.5%</b>

### 3.1 Housing - £310k overspend against budget

A pressure of £230k has arisen against the budget for Temporary Accommodation (TA) income.

£110k arises from void properties in the Council's hostels and in properties used for TA. 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 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 balance relates to other premises relates costs in the TA service, due to demand on the service.

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

**4.1** 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.

**4.2** The projected HRA balance at the end of 2021/22 is a deficit of £860k. 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, or by a contribution from or to HRA revenue reserves. This will be a decision for Members to take once the final outturn position for 2021/22 is confirmed.

#### **4.3 Dwelling Rents - £280k 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.

#### **4.4 Tenants Charges - £130k under achievement in income**

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

#### **4.5 Contribution towards Expenditure - £130k 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 Covid pandemic.

#### **4.6 Repairs and Maintenance - £160k over budget**

This variance has arisen due to two factors: firstly, there is 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. Secondly, there is increased expenditure from addressing the backlog of work which had built up as a result of the Covid pandemic following limited access to properties. There is a renewed focus on electrical works to ensure compliance and a focus on completing outstanding work while access is permitted.

#### **4.7 Supervision and Management - £170k over budget**

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

- £360k underspend on vacancies to be filled later in the financial year and underspend on general budgets where activity is lower due to Covid
- £140k 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
- £140k in additional insurance costs in line with the pressure expected in General Fund budgets as a result of increased insurance premiums.

#### **4.8 Rent, Rates and Taxes - £140k 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.

#### **4.9 Technical and Accounting Adjustments**

In addition to the service-related variances above, the following technical adjustments have arisen. These surpluses and deficits better reflect the position in the HRA that was seen last financial year and is expected again for this financial year. They can be balanced by a reduction in the revenue contribution to capital.

#### **5.0 Interest and Investment Income - £120k under achievement in income**

This pressure is expected due to interest rates remaining very low following the Bank of England base-rate reduction in March 2020.

##### **5.1 Interest Payable - £200k surplus**

A revised forecast outturn is reported based on an updated interest schedule and interest charges are lower than budgeted.

##### **5.2 Provision for Bad Debts - £500k surplus**



Although it is expected that tenants will need the support of the service during a challenging year, the budget allocation is not expected to be required in full. Arrears are down 10% year on year and collection rates are up, therefore the bad provision is estimated to be lower than budgeted. The projected impact of Covid and Universal Credit on bad debt has not been realised to date, with an underspend realised in the last financial year as well.

### 5.3 Depreciation - £2,300k increase to the forecast

The forecast reflects a more likely outturn position. On completion of the production of the 2020/21 financial statements, the impact of the revaluations of dwellings that was undertaken has been factored into this year's projections. This increase is in line with the 2020/21 audited financial outturn.

## 6. Capital Programme

6.1 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.

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').

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	Re- phasing £000	Revised Budget £000	Forecast Outturn £000	Variance	
					£000	%
Finance & Resources	4,017	(318)	3,699	3,867	168	4.2%
Strategic Planning and Environment	2,965	(355)	2,610	2,739	129	4.3%
Housing & Community	3,644	(5)	3,639	3,653	14	0.4%
<b>GF Total</b>	<b>10,625</b>	<b>(678)</b>	<b>9,948</b>	<b>10,259</b>	<b>311</b>	<b>2.9%</b>
<b>HRA Total</b>	<b>26,714</b>	<b>(5,099)</b>	<b>21,616</b>	<b>21,617</b>	<b>2</b>	<b>0.0%</b>
<b>Grand Total</b>	<b>37,340</b>	<b>(5,776)</b>	<b>31,563</b>	<b>31,876</b>	<b>312</b>	<b>0.8%</b>

### 6.2 General Fund Major Variances

General Fund capital budgets are reporting slippage of £680k with an overspend of £310k. The slippage of £680k includes the following items:

- Line 85: Slippage of £200k on Chipperfield Common Car Park Resurfacing due to delays in securing a suitable contractor for the works.
- Line 86: Slippage of £100k on the Fleet Replacement programme. This slippage is predominantly due to the delays in the supply of orders. The service is experiencing delays of approximately 9-12 months between order and supply. These delays are due to a shortage of raw materials which is impacting production.
- Line 104: Slippage of £280k relating to the renewal of Astroturf at Hemel Sports Centre. The project has experienced delays in securing planning permission and from additional drainage requirements.
- Line 123: Slippage of £100k relating to the Customer Relationship Management (CRM) system. Progress on this scheme awaits the completion of work currently being undertaken to develop the Council's customer strategy.

The overspend of £310k includes the following items:

- Line 82: Additional expenditure of £130k the purchase of wheeled waste bins and boxes for new properties. Waste Services are replacing large volumes of bins that are reaching their end of life.
- Line 103: An underspend of £120k on the resurfacing of Dacorum Athletics track
- Line 113: Additional expenditure of £80k on Town Centre Access Improvements project. The aim of this project is to improve traffic flow and access into the Water Gardens car parks in Hemel Hempstead. The additional spend relates to additional electrical and repair works being required.

### **6.3 Capital Budget Virement**

Movement of budget between capital schemes (virement) is requested between the following schemes:

- Lines 82 and 113: £80k to be vired from budget from the Dacorum Athletics track works (line 82) to the Town Centre Access Improvements project (line 113).

## **7. Housing Revenue Account Major Variances**

There is estimated slippage of £5.10m in the HRA capital programme. This includes the following items:

- Line 178: Slippage of £1.08m on Planned Fixed Expenditure relating to the Asset Management contract.
- Line 178: Slippage of £0.01m relating to maintenance and electrical contracted works.
- Line 182: Slippage of £0.88m relating to DBC commissioned capital works.

There is further slippage on some of the Council's New Build Development schemes. More significant items of slippage include:

- Line 189: Slippage of £0.80m on Bulborne. The scheme is awaiting confirmation that the land can be purchased.
- Line 191: Slippage of £1.58m on Eastwick Row. The scheme has been delayed due to challenges in finding an agreeable pre-commencement planning condition around a drainage solution with Herts County flood authority. This has led to a delay in units being delivered. There are also delays arising from contractor trading conditions.
- Line 193: Slippage of £0.34m on Paradise Fields. Timing differences in purchasing the land have occurred due to delays in the planning process.
- Line 197: Slippage of £0.25m on Wilstone following updated forecasts provided by the contractor.
- Line 198: Slippage of £0.14m on Marchmont Fields due to delays in the project being submitted for planning permission.

## **8. Conclusions and recommendations**

- 8.1 As at Quarter 3 2021/22, there is a forecast pressure of c. £0.13m against General Fund budgets and a forecast deficit of £0.86m against Housing Revenue Account budgets.
- 8.2 As at Quarter 3 2021/22, General Fund capital budgets are reporting slippage of £0.68m with an overspend of £0.31m. Against Housing Revenue Account capital schemes, budget rephasing of £5.10m is forecast.
- 8.3 Members are asked to:
- note the forecast outturn position as at Quarter 3
  - recommend to Council the approval of the revised capital programme to move slippage identified at Quarter 3 into financial year 2022/23;
  - approve the capital budget virement detailed in the report.