



## AGENDA ITEM: 7

### SUMMARY

<b>Report for:</b>	<b>Finance and Resources Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>8 March 2016</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Budget Monitoring Quarter 3 2015/16</b>
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 3 for the: <ul style="list-style-type: none"> <li>• General Fund</li> <li>• Housing Revenue Account</li> <li>• Capital Programme</li> </ul>
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 31 December 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
<b>2015/16 Original budget</b>	<b>17,534</b>	
Grant Funded Staff Costs in Revenues and Benefits	70	Council September 2015
Office Accommodation	53	Council September 2015
Reserve Funded Staff Costs	(10)	Council September 2015
Local Development Framework	(50)	Council September 2015
Ambassadors' Programme	36	Council July 2015
Grant Funded Costs in Electoral Registration	42	Council January 2016
Reserve Funded Election Budget	(30)	Council January 2016
<b>2015/16 Current Budget</b>	<b>17,645</b>	

2.5 This report has been prepared using the newly aligned Scrutiny & Portfolio Holder roles and responsibilities, as approved by Cabinet on 24 November 2015.

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

	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Finance & Resources	7,365	7,341	(24)	-0.3%
Strategic Planning & Environment	7,748	7,999	251	3.2%
Housing & Community	2,532	2,538	6	0.2%
<b>Total</b>	<b>17,645</b>	<b>17,878</b>	<b>233</b>	<b>1.3%</b>

2.7 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 £000	Forecast Outturn £000	Variance	
			£000	%
Employees	9,796	9,838	42	0.4%
Premises	1,755	2,034	280	15.9%
Transport	35	36	1	2.6%
Supplies & Services	4,184	4,090	(94)	-2.3%
Third-Parties	583	653	70	12.1%
Income	(8,988)	(9,310)	(323)	3.6%
	<b>7,365</b>	<b>7,341</b>	<b>(24)</b>	<b>-0.3%</b>

#### 3.1 Premises - £280k over budget (15.9%)

Pressure of £195k – The Council has reimbursed Hertfordshire County Council for a share of the costs of the temporary location of the Library, prior to the move to the Forum. This cost will be met from The Forum reserve.

Pressure of £40k – There is a pressure of £40k in the Public Conveniences Service, as a new electronic opening system is being installed. This will remove the need for Council staff to attend Public Conveniences to open and close the facilities, and offers a more cost-effective long term solution.

Pressure of £30k - There is a pressure of £30k relating to Business Rates incurred by the Council on void commercial properties. There have been a number of sites which have proved difficult to let and have remained vacant since the beginning of the financial year.

### **3.2 Supplies & Services - £94k under budget (2.3%)**

Underspend of £207k – Underspends have been identified across various services through close scrutiny of the budgets, in preparation for the next budget round. Following approval at Full Council on 20 January 2016, these savings have been moved to a central area in Finance & Resources, and have been taken out of the base budgets for the 2016/17 budget.

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 has continued into 2015/16 on a no win no fee basis and a further 26 properties have been brought back into use this financial year. Each property brought back into use gains 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 £50k – A pressure of £50k is forecast in Revenues and Benefits due to charges being incurred on card payments to the Council. Credit cards are one of the most expensive ways for the Council to receive payment, as charges are incurred as a percentage of the amount received. Debit card charges have increased from a fixed fee to a percentage basis in 2015/16 leading to an increase in costs. A capital bid for software to recover credit card charges from customers has been submitted as part of the draft 2016/17 budget.

### **3.3 Third Parties £70k over budget (12.1%)**

Pressure of £35k – A pressure of £35k is forecast in Facilities Management. Additional costs have been incurred since the relocation of the Hemel Hempstead library into the Civic Centre, due to longer opening hours. Costs are also being incurred due to additional hours worked at Berkhamsted Civic Centre and Victoria Hall Tring over and above the contracted hours in order to generate income from hire of the premises. This pressure is offset by the service charge income as identified in paragraph 3.5.

Pressure of £35k – A pressure of £35k is forecast in Financial Services, as the budgeted savings on the provision of the Payroll contract will not now be achieved in 2015/16. Following a long period of transition modelling with the new provider, the start of the new contract has now been delayed until 2016/17.

### **3.4 Income £323k over-achievement of budget (3.6%)**

Surplus of £160k – £160k of income is expected to be generated on properties owned by the General Fund which are currently being used by the HRA as rental properties. Following an in-depth review of rental income, as part of the budget-setting exercise, this income stream has now been transferred from the HRA to the General Fund.

Surplus of £45k – This surplus has arisen as a result of service charges being billed to Herts County Council following the relocation of the library into the Civic Centre.

Surplus of £80k – A surplus of £80k is forecast on car parking income due to increased usage. Income continues to be strong in off-street car parking (£60k surplus expected) and on-street car parking (£20k surplus expected).

#### 4. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	9,199	9,642	443	4.8%
Premises	1,065	1,040	(25)	-2.3%
Transport	1,445	1,470	25	1.7%
Supplies & Services	3,932	3,976	44	1.1%
Third-Parties	131	130	(1)	-1.0%
Income	(8,024)	(8,259)	(235)	-2.9%
	<b>7,748</b>	<b>7,999</b>	<b>251</b>	<b>3.2%</b>

##### 4.1 Employees - £443k over budget (4.8%)

Pressure of £230k – There is a pressure of £230k in the budget for Employee costs in Waste Services. The budgeted efficiencies to be delivered through the new waste service (£420k budget reduction) have not been fully achieved throughout the full year, as the new structure took time to bed in.

A specific Waste Performance group was set up to address why productivity was below the anticipated level, and consequently why there was an overspend. During the first quarter of the financial year, two additional waste collection rounds were being utilised over and above the anticipated round structure. As at Quarter 2 this had been reduced to one additional round, and by the end of Quarter 3 this last additional round had been removed, to leave the service operating within budget at no additional resource or cost. Whilst the budget pressure cannot be reversed for this financial year, it is expected that the service will operate within budget for financial year 2016/17.

Pressure of £150k – A pressure of £150k is expected in Planning and Building Control. There are a number of vacant posts within the establishment for these services. Agency staff are currently carrying out this work, but at a more expensive rate. A service review is being undertaken with a view to improving processes within the service and making efficiency savings going forward.

Pressure of £60k – A pressure of £60k is linked to the vacancy provision across services.

#### 4.2 Income - £235k surplus (2.9%)

Surplus of £200k – A surplus of £200k is expected in Planning Fees. This is due to a high volume of large one-off applications having been received, and the forecast for the last quarter of the financial year looking strong.

### 5 Housing and Community

Housing & Community	Current Budget	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	2,462	2,526	64	2.6%
Premises	436	471	35	8.0%
Transport	16	13	(3)	-18.5%
Supplies & Services	2,891	2,933	42	1.5%
Third Parties	823	814	(9)	-1.1%
Income	(4,096)	(4,219)	(123)	3.0%
	<b>2,532</b>	<b>2,538</b>	<b>6</b>	<b>0.2%</b>

#### 5.1 Employees - £64k over budget (2.6%)

Pressure of £64k – There is a pressure of £64k across services linked to the vacancy provision, 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 Income - £123k over budget (3%)

Surplus of £45k – There is a surplus of £45k forecast on income from The Elms homeless hostel. The Council entered into a contract with DENS to manage The Elms from May 2015, but the income from this contract had not previously been budgeted. This income has been factored in to the budget for 2016/17.

Surplus of £30k – There is a surplus of £30k on income from Garages where the level of voids has been lower than anticipated.

### 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 broadly in line with the budgeted balance of £2.9m.

### **6.3 Dwelling Rent - £130k over-achievement of income (0.2%)**

This overachievement is as a result of the number of void properties being lower than anticipated. The budgeted level was 1%, but void properties are currently running at 0.5%.

### **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 Interest and Investment Income - £70k over-achievement of income (61.4%)**

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.

### **6.6 Supervision and Management - £206k over budget (1.8%)**

Pressure of £160k – This relates to properties owned by the General Fund being used by the HRA for social rent. The £160k is a net figure of estimated rent less repairs costs.

Pressure of £40k – A pressure of £40k has arisen due to an over-accrual at year end 2014/15 of legal costs recoverable.

## **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.

	Current Budget £000	Projected Outturn £000	Rephasing £000	Variance	
				£000	%
Finance & Resources	12,042	11,752	(149)	(141)	-1.2%
Strategic Planning & Environment	15,155	8,154	(5,221)	(1,780)	-11.7%
Housing & Community	1,855	1,759	(101)	5	0.3%
<b>G F Total</b>	<b>29,052</b>	<b>21,665</b>	<b>(5,471)</b>	<b>(1,916)</b>	<b>-6.6%</b>
<b>HRA Total</b>	<b>32,062</b>	<b>32,062</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Grand Total</b>	<b>61,114</b>	<b>53,727</b>	<b>(5,471)</b>	<b>(1,916)</b>	<b>-3.1%</b>

## 7.2 General Fund Major Variances

There is an overall projected underspend of £7,387k on the General Fund within year 2015/16. This is a combination of forecast underspending of £1,916k and slippage of £5,471k into 2016/17.

The projected net underspend of £1,916k is comprised of:

- Line 43: underspend of £75k on demolition of Unit B and The Old Court House due to the costs coming in less than the budgeted £400k.
- Line 59: underspend of £128k 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 £208k rather than the budgeted £336k. A new capital bid has been submitted for works to be carried out to further car parks in 2016/17.
- Line 162: an underspend of £142k 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 171: an underspend of £700k on the Bus Interchange project. Following the works at the Marlowes Shopping Zone, many issues were identified including previously unidentified underground utilities and changes made by Herts County Council to the design and materials, which had a substantial impact on the time and budget for this project. To this end a large contingency was put in to the Bus Interchange project to cover this and other elements/lessons learnt from the MSZ, with a high expectation that there may be a similar issue in this area. Fortunately this did not turn out to be the case and therefore a large saving will be made.
- Line 172: 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 £5,471k includes:

- Line 42: accelerated spend of £350k on the budget for Strategic Acquisitions. The Health Centre building was purchased in October 2015, however this spend had previously been profiled to financial year 2016/17.
- Line 55: slippage of £192k at Rossgate Shopping. £15k is expected to be spent this financial year on design work. Any further work is on hold pending the outcome of the strategic condition survey of the Council's property portfolio.
- Line 57: 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 has been submitted as part of the 2016/17 budget, 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 60: £124k of accelerated spend on Berkhamsted Multi-Storey Car Park. Additional expenditure will be incurred on the development and planning stage of the project which will necessitate bringing forward approved budget that had previously been profiled for expenditure in 2016/17.
- Line 72: £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 85: slippage of £60k on Website Development. This relates to the web portal element of CRM. The procurement exercise is not yet complete and it is now expected that the project will be completed next financial year.
- Line 99: slippage of £70k on EIS replacement. A decision on EIS replacement will be taken when there is more clarity on the feasibility of the Herts Civil Service model and/or the possibility of other HR delivery models.
- Line 130: slippage of £90k on Youth Centre Provision. This budget is being used for the new Cycle Hub and for youth facilities at the Adventure Playgrounds. To avoid the works impacting on the Adventure Playgrounds during the Easter holidays, it was necessary to slip the £90k in to 2016/17.
- Line 144: £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 153: slippage of £106k 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 £106k less than the budgeted £397k. Any unused funds will be slipped into 2016/17 to fund the programme of works for that year.

- Line 154: slippage of £75k on Waste & Recycling Service Improvements. This budget was slipped forward from 2014/15 and was intended to be used for new bins for the second phase of the new waste service which is the roll out to communal properties. The project has been delayed due to the complexities of dealing with a variety of communal properties but it is expected that this funding will be required in 2016/17.
- Line 159: slippage of £1.72m on the Fleet Replacement Programme. The requirements of the service for communal properties are still being scoped out.
- Line 166: slippage of £744k on Maylands Phase 1. A revised project cost was approved at Cabinet 20 October 2015, and approval was given to award the contract for the construction of the project. It is expected that £300k will be spent in 2015/16 with the balance now being spent in 2016/17.
- Line 167: 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 169: slippage of £335k on Maylands Business Centre. Initial bids on this scheme were received earlier in the financial year, but were in excess of the allocated budget. A request to increase the level of budget was approved at Cabinet on 24 November, and revised quotes are currently being evaluated, with the aim of awarding the contract prior to the end of the financial year.
- Line 170: slippage of £950k 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 £950k of the £2.85m budget for 2015/16 will be required in 2016/17.
- Line 174: 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.