



Report for:	Cabinet
Date of meeting:	20 September 2016
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 1 2016/17
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 2016/17 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: <ol style="list-style-type: none"> 1. Consider the budget monitoring position for each of the above accounts; 2. Recommend to Council approval of the revised capital programme to move slippage identified at Quarter 1 into financial year 2017/18. 3. Recommend to Council approval of the supplementary budgets set out below. Details for these supplementary budgets are set out in the body of the report and have a net nil impact on the General Fund Working Balance:

	<ul style="list-style-type: none"> • Decrease the Corporate Improvement and Innovation Employees budget by £46k • Decrease use of the Technology reserve by £46k • Increase the Planning Supplies and Services budget by £100k • Increase use of the Management of Change reserve by £100k <p>4. Approve the budget virement to increase the Premises budget for Planet Ice by £127k and the corresponding Income budget by £127k, as per paragraph 3.2.</p> <p>5. Recommend to Council a supplementary Capital budget in the Housing Revenue Account of £1.05m for the Affordable Housing Development Fund, as per paragraph 7.3</p>
Corporate objectives:	Delivering an efficient and modern council
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.
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer</p> <p>No further comments to add.</p> <p>S.151 Officer</p> <p>This is a Section 151 Officer report.</p>
Consultees:	Budget Managers
Glossary of acronyms and any other abbreviations	<p>GF – General Fund</p> <p>HRA – Housing Revenue Account</p> <p>CRM – Customer Relationship Management</p>

used in this report:	HCC – Hertfordshire County Council
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1. Introduction

1.1 The purpose of this report is to outline the Council's forecast outturn for 2016/17 as at 30 June 2016. 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 Variances on non-controllable and corporate items

The charge made to the HRA for properties owned by the General Fund, but utilised by the HRA for dwelling purposes is forecast to be £40k higher. This is due to a lower amount of repairs and improvements at these properties.

Additional new burdens grants totalling £85k, along with an adjustment of £6k to prior year New Homes Bonus grants provide an additional £91k of unallocated grants. Included in these grants is £73k towards the cost of meeting welfare reforms and benefit cap changes. It is unknown at this stage how much of these grants may need to be utilised. The remaining grants are small in value and it is not anticipated that additional budgets will need to be given to services. Section 31 grants are retained corporately unless there is evidence of a significant new burden.

2.5 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	7,801	7,763	(38)	-0.5%
Strategic Planning & Environment	7,379	7,969	590	8.0%
Housing & Community	1,766	1,827	61	3.5%
Total	16,946	17,559	613	3.6%

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	11,027	11,084	57	0.5%
Premises	1,766	1,904	138	7.8%
Transport	32	39	7	21.9%
Supplies & Services	3,870	3,928	58	1.5%
Third-Parties	336	330	(6)	-1.8%
Income	(9,230)	(9,522)	(292)	3.2%
	7,801	7,763	(38)	-0.5%

3.1 Employees - £57k over budget (0.5%)

Pressure of £127k – A pressure of £173k across services is projected linked to the vacancy provision. This target is set at 5% of direct salary costs for 2016/17. This position will continue to be monitored.

Included in the net pressure of £127k, is an underspend of £46k on the budget for the Digital Dacorum project manager in the Corporate Improvement and Innovation team. This was a fixed term post funded from the Technology reserve. The post holder has been appointed into a budgeted permanent post in the establishment, and the reserve funded budget is therefore not required. Cabinet is asked to recommend to Council a decrease in the budget for Employees costs and a corresponding decrease in the contribution from the Technology reserve.

Underspend of £70k – Following the restructure of the Council's leadership team in May 2016, a saving of £70k has arisen in the management team salaries budgets.

3.2 Premises - £138k over budget (7.8%)

Pressure of £127k – This pressure relates to unbudgeted costs in respect of the Planet Ice site at Jarman Park. Although unbudgeted, these costs will be all recovered from the tenant and will not result in an overall budget pressure. The costs are rent, service charge, insurance and utilities, which the Council is required to pay initially through the terms of the lease, and then pass back to the tenant. A budget virement is proposed to increase the budget for Premises costs by £127k and increase the corresponding Income budget by £127k.

3.4 Income £292k over-achievement of income (3.2%)

Over-achievement of income of £263k – The income on Investment Properties is forecast to exceed budget by £263k due to 3 key reasons. Firstly there is the recovery of costs on the Planet Ice site as mentioned above in paragraph 3.2, which equates to £127k. An additional £90k of income is forecast as a result of successful rent reviews secured this financial year. Lastly service charges are expected to generate an additional £45k of income due to improvements in the methodology for billing costs back to tenants.

4. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	9,362	9,749	387	4.1%
Premises	965	961	(4)	-0.4%
Transport	1,479	1,451	(28)	-1.9%
Supplies & Services	3,984	4,088	104	2.6%
Third-Parties	88	88	0	0.0%
Income	(8,499)	(8,368)	131	1.5%
	7,379	7,969	590	8.0%

4.1 Employees - £387k over budget (4.1%)

Pressure of £115k – There is a pressure of £115k in the budget for Employee costs in Waste Services. There has been an increase in the number of roads in the borough that are proving difficult to access, which is necessitating an additional narrow access round to collect the waste. The service is reviewing the overall round structure in detail to optimise each round and ensure that crews are working as productively as possible.

The introduction of a third wheeled bin and a food waste caddy has meant that the waste service is dealing with an increased number of containers. This has increased the potential for the number of missed bins. The service is closely monitoring this situation to ensure that waste crews only return to justified missed bins, not unjustified (ie bins which were either not accessible or not presented at the boundary of the property at the time that the crew attempted to collect).

The increase in the number of containers has also led to an increase in breakages of containers, which requires additional resource to replace the bins.

Detailed work is ongoing to identify why bins are breaking, whether this is due to operator error or damage from the vehicle, with a view to minimising breakages.

Pressure of £200k – A pressure of £200k is expected in Building Control. There are a number of vacant posts within the establishment and agency staff are currently carrying out this work, but at a more expensive rate. Work is ongoing to improve processes within the service and make efficiency savings going forward. In addition the challenges in staff recruitment and retention are being addressed and options are being appraised as to the best way of ensuring the correct levels of staffing are in place and succession planning is considered.

Pressure of £72k – A pressure of £72k is linked to the vacancy provision across services.

4.2 Supplies & Services - £104k over budget (2.6%)

Pressure of £100k – A pressure of £100k has been identified in the Planning service. The data currently held on microfiche requires a more sustainable and digitally-enabled solution, to support the new ways of working in preparation for the move to The Forum. It is proposed that this expenditure be funded from the Management of Change reserve. Cabinet is requested to recommend to Council a supplementary budget of £100k to be funded from the Management of Change reserve.

4.3 Income - £131k under-achievement of budget (1.5%)

Under-achievement of income of £100k – A pressure of £100k has been identified in the Commercial Waste service. In recent months the service has seen a reduction in the number of customers, due to more aggressive sales strategy of competitors, which can draw customers away from the Council. Work is taking place to understand why customers have left and highlight the benefits of the Council's local, flexible Commercial Waste service.

5. Housing and Community

Housing & Community	Current Budget	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	2,549	2,605	56	2.2%
Premises	805	805	0	0.0%
Transport	16	16	0	0.0%
Supplies & Services	2,055	2,041	(14)	-0.7%
Third Parties	758	758	0	0.0%
Income	(4,417)	(4,398)	19	-0.4%
	1,766	1,827	61	3.5%

5.1 Employees - £56k over budget (2.6%)

Pressure of £56k – There is a pressure of £56k across services linked to the vacancy provision, which has been set at 5% across all services. This will be closely monitored as the year goes on.

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 2016/17 is in line with the budgeted balance of £2.9m.

6.3 Leaseholder charges - £27k over-achievement of income (5.7%)

There is a surplus of income from insurance costs re-billed to leaseholders. This is due to an increase in the number of leaseholders, and a rise in Insurance Premium tax which has been passed back to leaseholders. The budget will be reviewed as part of the 2017/18 budget setting process.

6.4 Contribution towards Expenditure - £20k over-achievement of income (3%)

Additional income has been received for legal work carried out, such as issuing a deed of variation and lifting of restrictive covenants.

6.5 Repairs & Maintenance - £305k over budget (3.3%)

The overspend in repairs relates to the value and volume of Empty Homes jobs expected this year. This is being offset by underspends on other areas of responsive repairs, most notably Structural Health and Safety, based on the actual costs incurred up to Period 3 and the service's forecast of future expenditure in this category.

The forecast also includes a £50k underspend for a reduction to the Osborne performance related profit (PRP) for 2015/16. Following a challenge from officers, Osborne have agreed to reduce the amount of PRP payable for the year.

6.6 Supervision and Management - £111k under budget (0.9%)

The projected underspend has arisen in 2 main areas:

£50k underspend in the Tenants and Leaseholders section from vacancies in the Supporting People service.

£110k underspend in the Housing Cleaning service from vacant posts.

These are offset by a forecast pressure of £40k relating to rent received on properties that are used to house Council tenants but are owned by the General Fund. (The corresponding entry is shown in the General Fund as a decrease in non-controllable costs).

6.7 Transfer to Housing Reserves - £156k under budget (0.9%)

The overall variance on the HRA is currently forecast to reduce balances by £156k.

The Capital Programme is being reviewed to ensure that components are not replaced before they are required (an example of which is delaying roof replacements that had previously been scheduled in, based upon property conditions surveys). Due to these changes in the programme, an underspend is forecast, and a lower contribution is required to reserves to fund the Capital Programme.

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 2017/18 rather than 2016/17, or conversely, where expenditure planned initially for 2017/18 will now be in 2016/17.

Cabinet is requested to recommend to Council a revised capital programme based on the projected capital outturn reported in Appendix C. Schemes that are slipping into 2017/18 will then be re-profiled into the correct financial year.

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	16,969	12,874	(4,098)	3	0.0%
Strategic Planning & Environment	8,142	6,871	(1,669)	398	4.9%
Housing & Community	711	645	(40)	(26)	-3.7%
G F Total	25,822	20,390	(5,807)	375	1.5%
HRA Total	29,230	27,932	(1,840)	542	1.9%
Grand Total	55,052	48,322	(7,647)	917	1.7%

7.2 General Fund Major Variances

There is an overall projected underspend of £5,432k on the General Fund. This is a combination of forecast overspend of £375k, and slippage of £5.8m into 2017/18.

The projected net overspend of £375k includes:

- Line 156: overspend of £238k on the Disabled Facilities Grants budget. The grant funding allocated to the Council on this scheme has increased considerably from £366k in 2015/16 to £672k in 2016/17. The forecast overspend is based on the year to date run rate.
- Line 163: overspend of £200k on Regeneration of the Town Centre. This project is almost at a close, however there are still some issues to be resolved regarding the power supply to the town centre. An overspend of £93k was reported last financial year on the project, however some further costs are expected, which at this stage are estimated to be £200k. This would bring the total overspend on the project to £293k, which is approximately 6% of the overall budget. Unbudgeted grant and S106 funding has been received to the value of £105k, which offsets some of the overspend.

The projected rephasing to future years includes:

- Line 42: slippage of £486k on the Strategic Acquisitions budget. This budget is being rephased to support the delivery schedule of projects.
- Line 52: slippage of £91k on Rossgate Shopping Centre. Stock condition surveys are planned in line with the Asset Management Strategy to ascertain the works to be undertaken. It is unlikely any significant spend will occur in 2017/18.
- Line 58: slippage of £188k on Car Park Refurbishment scheme. It had been intended for the Queensway and the Water Garden South car parks to be refurbished in 2016/17, however these works are dependent on wider considerations concerning Gadebridge Park (Queensway) and the review of access (HCC & the Council's Regeneration team) and will therefore not take place this financial year.
- Line 60: slippage of £3.1m on Berkhamsted multi-storey car park. Work is ongoing with HCC Highways and DBC Planners to progress the scheme. It is envisaged that planning permission will be granted in September 2016 and the contract awarded in December.
- Line 74: slippage of £87k on Planning Software replacement. As yet the specification has not been finalised, and the procurement process has not begun. It is therefore unrealistic to expect any spend in 2016/17.
- Line 93: slippage of £70k on Future Vision of CRM. The budgeted phasing of expenditure on this project is being reprofiled to remove the optimism bias.
- Line 146: slippage of £151k on Play Area refurbishment programme. The programme of work has been reviewed many times, as individual amounts of section 106 funding were identified to fund particular sites. This gave rise to slippage into 2016/17, however it has now been decided that only sites on the original list will be refurbished in 2016/17 and the remaining budget will form part of the play area improvements at Gadebridge Park.

- Line 148: slippage of £75k on Waste & Recycling Service Improvements. This budget was slipped forward from the 2014/15 budget for the roll-out of the new co-mingled waste service. It is intended to be used for the roll-out of the new service to flats and communal properties, however the project has been delayed and at this stage it is unlikely any expenditure will be incurred this financial year.
- Line 152: slippage of £485k on Fleet Replacement Programme. The programme of vehicles is kept under constant review to ensure vehicles are not replaced before they have reached the end of their useful life, and at this stage of the year it is expected that a number of vehicles will now be purchased in 2017/18.
- Line 168: slippage of £458k on Town Centre Access Improvements. The scope of the project has not yet been confirmed and at this stage, no major spend is expected in 2016/17.
- Line 170: slippage of £500k on Gadebridge Park. This budget is intended for the creation of a splash park, play area and access improvements in the park including the White Bridge. There is a further £1m budget in 2017/18. Discussions are still ongoing as to the exact nature of the work and it is unlikely that any significant spend will take place in 2016/17.

7.3 HRA Major Variances

There is a projected underspend on the HRA capital programme of £1,298k.

- Line 183: underspend of £507k on the Property and Place budgets for planned capital works. The programme is being reviewed as set out in paragraph 6.7. These budgets also contain a contingency of 5%.
- Line 191 and 192: underspend of £150k and £140k respectively on Farm Place and St Peter's Court. Although these schemes are complete, budget was slipped forward from 2015/16, which will be reallocated by virement to the New Build General line to fund other schemes in the programme.
- Line 193: underspend of £600k on Aspen Court, London Road Apsley. At the time of setting the budgets, an additional allocation of £600k was allowed for to cover previously unforeseen costs. This was incorrectly allocated to the Aspen Court, London Road budget, however it should have been allocated to the New Build General Line. The underspend on this line will therefore be re-allocated to the New Build General line. The realignment will take place once contract arrangements have been finalised.
- Line 194: Slippage of £1.8m on New Build General. This reflects re-phasing of a number of schemes to align with revised timescales.
- Line 197: overspend of £1.05m on Affordable Housing Development Fund. Although there is no budget on this line, grant payment of £1.05m has been made to Hightown Housing Association. These payments have previously been allocated from General Fund capital receipts, but are now funded from Housing Revenue Account 1-4-1 receipts due to the high level of property sales under the

Right to Buy scheme. Cabinet is requested to recommend to Council a supplementary budget for this scheme funded from 1-4-1 receipts.