



AGENDA ITEM: 6
SUMMARY

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| Report for: | Finance and Resources Overview and Scrutiny Committee |
| Date of meeting: | 8 November 2016 |
| PART: | 1 |
| If Part II, reason: | |

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| Title of report: | Budget Monitoring Quarter 2 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 2 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme |
| Recommendations | 1) That Committee note the forecast outturn position. |
| 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. |

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| 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 2016/17 as at 30 September 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 £80k 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 current budget is the original budget approved by Cabinet in February 2016, plus the following approved amendments:

| Amendments | £000 | Approved |
|--|---------------|------------------------|
| 2016/17 Original budget | 16,946 | |
| Corporate Graduates | 18 | Council July 2016 |
| Reserve Funded Staff Costs | (46) | Council September 2016 |
| Digitalisation of Planning Microfiche data | 100 | Council September 2016 |
| 2015/16 Current Budget | 17,018 | |

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 | 7,773 | 7,693 | (80) | -1.0% |
| Strategic Planning & Environment | 7,479 | 7,845 | 366 | 4.9% |
| Housing & Community | 1,766 | 1,765 | (1) | -0.1% |
| Total | 17,018 | 17,303 | 285 | 1.7% |

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 | 10,999 | 10,963 | (36) | -0.3% |
| Premises | 1,766 | 1,757 | (9) | -0.5% |
| Transport | 32 | 42 | 10 | 31.3% |
| Supplies & Services | 3,870 | 3,994 | 124 | 3.2% |
| Third-Parties | 336 | 332 | (4) | -1.2% |
| Income | (9,230) | (9,395) | (165) | 1.8% |
| | 7,773 | 7,693 | (80) | -1.0% |

3.1 Employees - £36k under budget (0.3%)

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.

Pressure of £34k – A pressure 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.

3.2 Supplies and Services - £124k over budget (3.2%)

Pressure of £40k – This pressure relates to budgeted savings in the Parking service which are not expected to be fully realised, and additional costs of upgrading Pay and Display machines prior to the introduction of new £1 coin in March 2017.

Pressure of £25k – A pressure is forecast in the Revenues and Benefits service from bank charges incurred, prior to the implementation of credit card surcharging. The new system has now been implemented to recover credit card charges from customers at the time of payment.

Pressure of £20k – This pressure has arisen from a review of the Estates service, which will assist in identifying future efficiencies in the service.

3.3 Income £165k over-achievement of income (1.8%)

Over-achievement of income of £135k – The income on Investment Properties is forecast to exceed budget by £135k. An additional £90k of income expected as a result of successful rent reviews secured this financial year. In addition 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 | 9,610 | 248 | 2.6% |
| Premises | 970 | 923 | (47) | -4.8% |
| Transport | 1,479 | 1,430 | (49) | -3.3% |
| Supplies & Services | 4,085 | 4,078 | (7) | -0.2% |
| Third-Parties | 88 | 82 | (6) | -6.8% |
| Income | (8,505) | (8,278) | 227 | 2.7% |
| | 7,479 | 7,845 | 366 | 4.9% |

4.1 Employees - £248k over budget (2.6%)

Pressure of £50k – There is a pressure of £50k 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, costing an additional £90k. The service has reviewed the overall round structure in detail to optimise each round and ensure that crews are working as productively as possible, and some efficiencies have been made in the Commercial Waste rounds, which has reduced this pressure by £40k to a net pressure of £50k.

Pressure of £130k – A pressure of £130k 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 £68k – A pressure of £68k is linked to the vacancy provision across services.

4.2 Income - £227k under-achievement of budget (2.7%)

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.

Over-achievement of income of £70k – In Waste Services an additional £70k of income has been generated as a result of an incentive payment from Hertfordshire County Council to reward Dacorum for improvements in the rate of recycling as a result of the co-mingled waste service.

Under-achievement of income of £180k – A pressure of £180k has arisen in the Planning service, due to current uncertainty in the housing and development markets following the EU referendum in June.

5 Housing and Community

| Housing & Community | Current Budget | Forecast Outturn | Variance | |
|---------------------|----------------|------------------|------------|--------------|
| | £000 | £000 | £000 | % |
| Employees | 2,549 | 2,630 | 81 | 3.2% |
| Premises | 805 | 777 | (28) | -3.5% |
| Transport | 16 | 20 | 4 | 25.0% |
| Supplies & Services | 2,079 | 2,173 | 94 | 4.5% |
| Third Parties | 758 | 758 | 0 | 0.0% |
| Income | (4,441) | (4,593) | (152) | 3.4% |
| | 1,766 | 1,765 | (1) | -0.1% |

5.1 Employees - £81k over budget (3.2%)

Pressure of £81k – There is a pressure of £81k 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.

5.2 Supplies and Services - £94k over budget (4.5%)

Pressure of £40k – A pressure of £40k has arisen in the People and Performance service from a strategic review of sports and leisure facilities across the borough. It is proposed that this expenditure be funded from the Management of Change reserve. This will be proposed in the 29 November Cabinet report.

Pressure of £15k – This pressure has arisen in the Community Partnerships service, from reserve funded Arts support which was agreed in the budget setting round for 2015/16 but not spent until 2016/17. It is proposed that this expenditure be funded from the Management of Change reserve. This will be proposed in the 29 November Cabinet report.

5.3 Income - £152k over-achieved (3.4%)

Over-achievement of income £150k – the income from the rental of Garages is expected to exceed budget by £150k. This is due to the level of voids being 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 2016/17 is in line with the budgeted balance of £2.9m.

6.3 Dwelling Rents - £117k under-achievement of income (0.2%)

Following a review of the changes implemented as part of the statutory reform to housing rents, the Supported Housing budget requirement has been checked, and an adjustment of £115k is required. A correction will be made for the budget 2017/18.

6.4 Contribution towards Expenditure - £152k under-achievement of income (23.2%)

There is a deficit of £140k in leaseholder charges for repairs work, due to the estimate for works carried out in 2015/16 being £140k higher than the amount to be billed. There is also a deficit of £50k in income expected from the Recharges Officer, as the post was not filled for a full financial year (started October). These pressures are partially offset by an increase in minor capital receipts of £40k for legal work carried out, such as deed of variation and lifting of restrictive covenants.

6.5 Repairs and Maintenance - £453k over budget (4.2%)

At Q1 the volumes of repairs and voids were consistent with those experienced last year, however there has been a slight downturn in the scope of work required in voids that were returned in Q2. Overall the profile of the revenue spend is being closely monitored and currently there are pressures within a number of demand led areas including, responsive repairs, minor aids and adaptations, drainage, and asbestos testing and removal. The pressure is being offset by a reduction in small works, however currently the forecast position of £453K is still expected.

The forecast includes a £50k underspend for a reduction to the 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.

The capital programme is currently being reviewed, and it is proposed that a virement request will be raised in Quarter 3 to align budgets with planned activities between capital and revenue.

6.6 Supervision & Management - £46k under budget (0.4%)

The projected underspend has arisen in 2 main areas:

£60k underspend in the Tenants and Leaseholders section from vacancies in the Supporting People service.

£75k underspend in the Housing Cleaning service from vacant posts.

These are offset by a forecast pressure of £80k 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 - £689k under budget (5.1%)

The overall variance on the HRA is currently forecast to reduce balances by £689k.

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 in capital expenditure is forecast. As set out in paragraph 6.5, a virement will be proposed to align the capital and revenue budgets with planned works, and during the process the contribution to the Housing Reserve will be examined.

7. Capital Programme

7.1 Appendix C shows the projected capital outturn in detail by scheme.

The table on the next page 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.

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.

The current budget is the original budget approved by Cabinet in February 2016, plus approved amendments, including re-phasing of the slippage identified at Quarter 1 into 2017/18.

| | Current Budget £000 | Projected Outturn £000 | Rephasing £000 | Variance | |
|----------------------------------|------------------------|---------------------------|-------------------|--------------|--------------|
| | | | | £000 | % |
| Finance & Resources | 12,871 | 12,818 | (56) | 3 | 0.0% |
| Strategic Planning & Environment | 6,605 | 6,828 | (90) | 313 | 4.7% |
| Housing & Community | 1,727 | 1,697 | 0 | (30) | -1.7% |
| G F Total | 21,203 | 21,343 | (146) | 286 | 1.3% |
| HRA Total | 27,390 | 24,652 | (2,231) | (507) | -1.9% |
| Grand Total | 48,593 | 45,995 | (2,377) | (221) | -0.5% |

7.2 General Fund Major Variances

There is an overall projected overspend of £140k on the General Fund. This is a combination of forecast overspend of £286k, and slippage of £146k into 2017/18.

The projected net overspend of £286k 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.
- Line 165: overspend of £100k on the Water Gardens. An additional £50k is expected to be incurred due to additional footpath works agreed at Waterhouse Street. There is also the possibility that delays in the project will necessitate additional costs in the region of £50k.

- Line 166: underspend of £200k on the Bus Interchange. £300k was carried forward from 2015/16 as slippage, in anticipation of the final costs on this project. Given the complexities of previous projects such as the Marlowes Shopping Zone, where a number of unforeseen expenses were incurred, a prudent estimate of the final costs was made, however this estimate has subsequently proved to be £200k too high.

The projected rephasing to future years includes:

- Line 92: slippage of £82k on Future Vision of CRM. Progress with the deployment of CRM has been delayed significantly due to changes in the Northgate's strategic approach to the product. Northgate advised the council in June 2016 that a new version of the product is being developed and advised against substantial development on the current platform. CRM development is therefore being pushed back to 2017/18.
- Line 161: slippage of £50k on Maylands Urban Realm project. Landscaping works are now expected to take place in 2017/18. These are seasonal works, which will need to take place in the spring.
- Line 169: slippage of £60k on Hemel Street Furniture. Reprogramming of work to help manage the Water Gardens project will cause a delay in delivery of this project.

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 £149k 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 £684k 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.
- 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 196: slippage of £484k on Able House. This scheme is now expected to be finished early 2017/18.

