



Report for:	Cabinet
Date of meeting:	21 March 2017
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 3 2016/17
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>David Skinner, Assistant Director (Finance & Resources)</p> <p>Richard Baker, Group Manager (Financial Services)</p>
Purpose of report:	<p>To provide details of the projected outturn for 2016/17 as at Quarter 3 for the:</p> <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	<p>It is recommended that Cabinet:</p> <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 supplementary budgets set out below. Details for these supplementary budgets are set out in the body of the report: <ul style="list-style-type: none"> • Decrease the budget for Pension back funding by £900k • Decrease use of the Pensions reserve by £900k • Increase the capital budget for The Forum by £514k to reflect contribution received from Hertfordshire County Council for fit out works to the library, ceremonial room

	and registration offices.
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>Deputy S.151 Officer</p> <p>This is a Section 151 Officer report.</p>
Consultees:	Budget Managers
Glossary of acronyms and any other abbreviations used in this report:	<p>GF – General Fund</p> <p>HRA – Housing Revenue Account</p> <p>CRM – Customer Relationship Management</p>

1. Introduction

1.1 The purpose of this report is to outline the Council's forecast outturn for 2016/17 as at 31 December 2016. The report covers the following budgets:

- General Fund
- Housing Revenue Account (HRA)
- Capital Programme

Summaries of the key changes since the quarter 2 report are included in paragraphs 2.5 (General Fund revenue), 6.3 (HRA revenue), 7.2 (General Fund Capital) and 7.4 (HRA Capital)

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 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
Sports Review	40	Council January 2017
Arts Funding	15	Council January 2017
2016/17 Current Budget	17,073	

2.3 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.

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

	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Finance & Resources	7,773	6,895	(878)	-11.3%
Strategic Planning & Environment	7,479	7,560	81	1.1%
Housing & Community	1,821	1,733	(88)	-4.8%
Total	17,073	16,188	(885)	-5.2%
Non-controllable budgets	(9,913)	(10,155)	(242)	2.4%
Earmarked Reserve movements	(7,160)	(6,295)	865	-12.1%
Contribution (to)/from General Fund Working Balance	0	(262)	(262)	

2.5 Key changes between periods

The forecast position at quarter 2 was a contribution to working balances of £28k. A summary of the changes between periods, which make up the increase to working balances of £234k are as follows:

Budget Monitoring Quarter 2 - variance against GRF working balances	(28)
Reduction in overspend forecast against vacancy provision	(181)
Additional government grants	(45)
Other minor changes	(8)
Budget Monitoring Quarter 3 - variance against GRF working balances	(262)

2.6 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 £130k, along with an adjustment of £6k to prior year New Homes Bonus grants, provide an additional £136k of unallocated grants. Included in these grants is £73k towards the cost of meeting welfare reforms and benefit cap changes. The work involved with these reforms has been absorbed within the Revenues and Benefits service, with no additional budget having been required.

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.

The Contribution from Earmarked Reserves line shows a reduced contribution of £865k. This is predominantly due to an under-spend of £900k following the triennial review of pensions, in which the one off payment that was forecast to be made, is no longer required. The corresponding funding from the Pensions Reserve is also no longer required.

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	Forecast	Variance	
	£000	Outturn £000	£000	%
Employees	11,005	10,016	(989)	-9.0%
Premises	1,893	1,906	13	0.7%
Transport	32	44	12	37.5%
Supplies & Services	3,870	4,100	230	5.9%
Third-Parties	336	372	36	10.7%
Income	(9,363)	(9,543)	(180)	1.9%
	7,773	6,895	(878)	-11.3%

3.1 Employees - £989k under budget (9.0%)

Underspend of £900k – Following the triennial pensions review, the one off payment of pension back funding, which was expected to be paid in 2016/17, will now not be paid. This payment was to be funded from the Pensions Reserve, and it is therefore requested that Cabinet recommend to Council that the budget for pension back funding be reduced by £900k, and that the corresponding funding from the Pensions Reserve be removed.

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 Supplies and Services - £230k over budget (5.9%)

Pressure of £65k – 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 £50k – A pressure is forecast in the Revenues and Benefits service from bank charges incurred. The new system of credit card surcharging has been implemented, but charges recovered from customers at the time of payment are being reported in the income section of the relevant departmental budgets.

Pressure of £30k – A pressure of £30k has been identified in the Cemeteries service. £15k has been incurred in relation to health and safety requirements including Hand Arm Vibration monitoring. A further £15k has been incurred on memorial seats and benches for re-sale.

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

3.3 Income £180k over-achievement of income (1.9%)

Over-achievement of income of £130k – The income on Investment Properties is forecast to exceed budget by £130k. 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 £40k of income due to improvements in the methodology for billing costs back to tenants.

Over-achievement of £50k – Car parking income is expected to achieve a surplus of £50k this financial year, due to an increased volume of customers using the Council owned car parks.

Under-achievement of £70k – The income relating to the Cemeteries Service is not expected to be achieved this financial year. New initiatives which were expected to generate additional income have not been as successful as anticipated.

Over-achievement of £50k – An overachievement of income of £50k is forecast in the Revenues, Benefits and Fraud service. £26k relates to the Benefits Administration Subsidy grant from central government, which was higher than previously expected. £16k relates to various items of grant funding, which have been received by the service for specific requirements of central government. £8k is expected from the sale of Fraud expertise to a neighbouring local authority.

Over-achievement of £33k – An insurance rebate of £33k has been received. Under the Council's policies, rebates are payable if the claims experience is particularly good in the prior year.

4. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	9,362	9,471	109	1.2%
Premises	970	931	(39)	-4.0%
Transport	1,479	1,375	(104)	-7.0%
Supplies & Services	4,085	4,022	(63)	-1.5%
Third-Parties	88	73	(15)	-17.0%
Income	(8,505)	(8,312)	193	2.3%
	7,479	7,560	81	1.1%

4.1 Employees - £109k over budget (1.2%)

Pressure of £30k – There is a pressure of £80k in the budget for Employee costs in Waste Services, due to an additional round for hard to access properties costing £80k which was not factored in to the last budget setting round. 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 £50k to a net pressure of £30k.

Pressure of £120k – A pressure of £120k 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.

4.2 Transport – £104k under budget (7%)

Underspend of £90k – An underspend of £60k is forecast in Environmental Services in the budgets for fuel. Despite recent increases in the price of fuel, the budgets in Clean, Safe and Green and in Waste are expected to underspend by £60k. A further saving of £30k is forecast in the budget for vehicle hire in Waste Services, where the procurement of suitable second-hand vehicles has removed the need to hire vehicles.

4.3 Supplies and Services - £63k under budget (1.5%)

Underspend of £40k – An underspend is forecast in the Commercial Waste service related to the disposal of waste. This is linked to a reduction in the volume of waste collected, due to a loss in the number of customers (see paragraph 4.4 below).

Underspend of £40k – An underspend of £40k is expected in the Waste Transfer Site budget for waste disposal. This is due to an increase in waste being diverted to recycling facilities.

4.4 Income - £193k under-achievement of budget (2.3%)

Under-achievement of income of £120k – A pressure of £120k is expected in the Commercial Waste service, due to a reduction in the number of customers. 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 £115k – In Waste Services an additional £70k of income has been generated as a result of an incentive payment from Hertfordshire County Council (HCC) to reward Dacorum for improvements in the rate of recycling as a result of the co-mingled waste service. A surplus of £45k is also expected in recycling credits, following improved co-mingled and green waste tonnages.

Under-achievement of income of £190k – A pressure of £190k is currently forecast in the Planning service, due to uncertainty in the housing and development markets following the EU referendum in June.

5. Housing and Community

Housing & Community	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	2,549	2,641	92	3.6%
Premises	805	777	(28)	-3.5%
Transport	16	15	(1)	-6.3%
Supplies & Services	2,134	2,157	23	1.1%
Third Parties	758	765	7	0.9%
Income	(4,441)	(4,622)	(181)	4.1%
	1,821	1,733	(88)	-4.8%

5.1 Employees - £92k over budget (3.6%)

Pressure of £92k – A pressure of £92k is forecast across services linked to the vacancy provision, which has been set at 5% across all services. This will continue to be monitored closely for the remaining 3 months of the financial year.

5.2 Income - £181k over-achievement (4.1%)

Over-achievement of income £180k – The income from the rental of Garages is expected to exceed budget by £180k. 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 Key changes between periods

The forecast position at quarter 2 was a reduced contribution to balances of £689k. The position at quarter 3 is a reduced contribution to balances of £345k. A summary of the changes totalling £344k between periods are as follows:

Budget Monitoring Quarter 2 - HRA variance against contribution to balances	689
Reduction in forecast overspend in repairs and maintenance	(180)
Increase in salaries underspend due to vacancies across the service	(147)
Other minor changes	(17)
Budget Monitoring Quarter 3 - HRA variance against contribution to balances	345

6.4 Dwelling Rents - £170k under-achievement of income (0.3%)

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 has been made for the draft budget 2017/18. In addition the level of Right to Buy sales has been higher than anticipated, which has led to a further decrease in rental income.

6.5 Non-Dwelling Rents - £40k over-achievement of income (50%)

This income stream relates to rental income on telecommunications aerials around the borough. New leases are being negotiated which is expected to generate an additional £40k of income.

6.6 Contribution towards Expenditure - £136k under-achievement of income (20.8%)

There is a deficit of £145k in leaseholder charges for repairs work, due to the estimate for works carried out in 2015/16 being £95k higher than the amount to be billed. A deficit of £50k is expected in year for the 2016/17 leaseholder income.

There is a deficit of £90k in income expected from the Recharges Officer, as the post was not filled for a full financial year (started October) and the income generated to date has been modest. These pressures are offset by an increase in minor capital receipts of £86k for legal work carried out, such as deed of variation and lifting of restrictive covenants.

6.7 Repairs and Maintenance - £273k over budget (2.6%)

The pressure in repairs reported at Quarter 2 was £453k. During the last quarter a close review of expenditure has been carried out, and c. £200k of repairs work has been re-classified from revenue expenditure to capital. This has reduced the forecast pressure on the revenue budget to £273k.

There has been a slight downturn in the scope of work required in voids that were returned in Quarter 2, however there are currently pressures within a number of demand-led areas including responsive repairs, minor aids and adaptations, drainage, and asbestos testing and removal.

The forecast also 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 to align budgets with planned activities between capital and revenue, should this prove to be necessary.

6.8 Supervision & Management - £193k under budget (1.6%)

The projected underspend has arisen in 3 main areas:

£100k underspend in the Tenants and Leaseholders section from vacancies in the Supporting People service.

£85k underspend in the Housing Cleaning service from vacancies in the service and a reorganisation of the management team.

£75k underspend in the Under Occupation Incentive Scheme due to lower volume of moves in the scheme this financial year.

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, see paragraph 2.4).

6.9 Transfer to Housing Reserves - £345k under budget (2.5%)

The overall variance on the HRA is currently forecast to reduce balances by £345k.

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 may 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	12,660	(447)	236	1.8%
Strategic Planning & Environment	6,765	6,125	(831)	191	2.8%
Housing & Community	1,742	1,721	0	(21)	-1.2%
G F Total	21,378	20,506	(1,278)	406	1.9%
HRA Total	27,390	21,221	(5,668)	(501)	-1.8%
Grand Total	48,768	41,727	(6,946)	(95)	-0.2%

7.2 Key changes between periods – General Fund

A summary of the changes between periods is as follows:

	Rephasing £'000	Variance £'000
Budget Monitoring Quarter 2 - GRF Capital variance against budget	(146)	286
Forum - Additional costs to be funded by contribution from Herts County Council	0	235
Disabled Facilities Grants - Supplementary estimate approved (funded by additional grant from Herts County Council)	0	(238)
Water Gardens - Project complexities have caused delays to the scheme	(517)	135
Maylands Business Centre - Delays in gaining planning permission and unforeseen issues with drainage have caused project delays	(335)	0
Kingshill Cemetery - project pushed back to 2017/18 due to longer than expected project design stage, planning and other consultation	(145)	0
Other changes	(135)	(12)
Budget Monitoring Quarter 3 - GRF Capital variance against budget	(1,278)	406

7.3 General Fund Major Variances

There is an overall projected underspend of £873k on the General Fund. This is a combination of forecast overspend of £406k, and slippage of £1,279k into 2017/18.

The projected net overspend of £406k includes:

- Line 84: overspend of £235k on the current budget for The Forum. A contribution of £514k has been received from Herts County Council specifically for these additional costs. This is as a result of work carried out by the main contractors on behalf of Hertfordshire County Council, for fit out of the library, ceremonial room and the registry office. Cabinet is requested to recommend to Council a supplementary budget of £514k to be funded from

capital contribution. The revised forecast if approved will be an underspend of £279k.

- Line 165: 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 167: overspend of £235k on the Water Gardens project. An additional £50k is expected to be incurred due to additional footpath works agreed at Waterhouse Street. Due to complexities with the project, delays are being experienced, which will necessitate additional professional fees of £50k, with an additional £30k to cover the Extension of Time claim from the contractor. Additional costs of £30k have been incurred for drainage issues and some additional planting, £20k for increased cost in utility provision, and £15k for additional fencing to manage the geese.
- Line 168: 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 45: slippage of £75k on Old Town Hall café roof and stonework renewal. Works have been rescheduled to August 2017 to ensure that the works can be procured and delivered during acceptable weather conditions and at a time that would cause the least disruption to the service.
- Line 54: slippage of £59k on High Street, Tring - Replace External Cladding & Roof. Works to the roof have had to cease in accordance with the works licence. Bats are currently in hibernation in the roof and works cannot continue until the hibernation season is over.
- Line 61: slippage of £145k on Kingshill Cemetery - Toilet Provision. A longer than expected project design stage, planning and other consultation have now pushed this project into 2017/18.
- 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 provider 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 98: slippage of £70k on EIS replacement. Consideration was given to the possibility of joining the Herts Framework to undertake transactional HR work in conjunction with the Council's payroll contract, however this option did not meet the Council's requirements. Other HR systems that would fulfil the business needs are currently being reviewed.
- Line 138: accelerated spend on Hemel Sports Centre heat and power system. On receipt of the tenders for the required work, additional funding of £75k was required, which has necessitated funding from the Hemel Sports Centre roof scheme, currently programmed for 2019/20, to be brought forward to 2016/17.
- 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 166: slippage of £335k on Maylands Business Centre. There was a delay in granting planning permission on the site until October. When works commenced on site, an unforeseen issue with one of the main drainage pipes was discovered, which has led to a delay in the scheme.
- Line 167: slippage of £517k on the Water Gardens project. As mentioned in paragraph 7.2, there has been significant delay on this scheme which has led to rephasing of the cash flows.

7.4 Key changes between periods – HRA

A summary of the changes between periods is as follows:

	Rephasing £'000	Variance £'000
Budget Monitoring Quarter 2 - HRA Capital variance against budget	(2,231)	(507)
Wood House - The project timescales have been revised due to the complexity of the tender process	(2,600)	0
Stationers Place - start on site expected now in financial year 2017/18	(651)	0
Other changes	(186)	6
Budget Monitoring Quarter 3 - HRA Capital variance against budget	(5,668)	(501)

7.5 HRA Major Variances

There is a projected underspend on the HRA capital programme of £6,169k.

- Line 185: underspend of £535k 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 193 and 194: underspend of £148k 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 195: underspend of £665k 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 Stationer's Place line. The underspend on this line will therefore be re-allocated to Stationer's Place.
- Line 196: slippage of £1.3m on New Build General. This reflects re-phasing of a number of schemes to align with revised timescales.
- Line 197: slippage of £2,600k on Wood House. The project timescales have been revised due to the complexity of the tender process. The build is now expected to commence in spring 2017.
- Line 198: slippage of £1,251k on Stationers Place. The contract for the build has recently been awarded, with start on site expected now in financial year 2017/18.
- Line 200: slippage of £493k on Able House. This scheme is now expected to be finished early 2017/18.