



**AGENDA ITEM: 11**  
**SUMMARY**

<b>Report for:</b>	<b>Cabinet</b>
<b>Date of meeting:</b>	<b>29 May 2014</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Provisional Outturn 2013/14</b>
Contact:	Cllr Nicholas Tiley, Portfolio Holder for Finance and Resources Martin Hone, Corporate Director (Finance and Operations) James Deane, Assistant Director (Finance and Resources)
Purpose of report:	To provide details of the provisional outturn position for the: <ul style="list-style-type: none"> <li>· General Fund</li> <li>· Housing Revenue Account</li> <li>· Capital Programme</li> </ul> <p>To provide details of the proposed transfers to and from earmarked reserves.</p>
Recommendations	It is recommended that Cabinet: <ol style="list-style-type: none"> <li>1. Consider the provisional outturn position for each of the above accounts; and,</li> <li>2. Recommend to Council the approval of the reserve movements listed in paragraph 9.1.</li> </ol>
Corporate objectives:	Corporate Governance
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><b>Monitoring Officer</b> No further comments to add.</p> <p><b>Deputy S.151 Officer</b> 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 HRA – Housing Revenue Account MTFS – Medium Term Financial Strategy RCC – Revenue Contribution to Capital</p>

## 1. Introduction

1.1 The purpose of this report is to outline the Provisional Outturn for 2013/14, prior to the closure of the accounts. Outturn is reported for the following:

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

1.2 The Accounts and Audit Regulations 2011 require local authorities to have prepared their annual Statement of Accounts, complete with certification from the Section 151 Officer, by 30 June. The Statement of Accounts must be published by 30 September, following an audit to be undertaken by Ernst & Young.

1.3 The Council's outturn position is a primary source of information for the production of the Statement of Accounts. The provisional outturn position detailed in this report is subject to amendment as work continues on the preparation of the Accounts. The final outturn position, along with movements in reserves, will be reported to Cabinet at its meeting of 24 June 2014.

## 2. General Fund Revenue Account

2.1 The General Fund (GF) revenue account records the revenue income and expenditure associated with all Council functions except management of the Council's housing stock. This is accounted for within the Housing Revenue Account (HRA) (see Section 7).

- 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 majority of non-controllable costs result from year-end accounting adjustments, e.g. depreciation charges, which are required to show the true value of resources used to provide the Council's services, but which do not result in a cash charge to taxpayers. These provisional adjustments have now been completed and are explained in paragraph 6 of this report.
- 2.5 The table below provides a summary of the provisional outturn for the General Fund by Scrutiny area.

	Revised Budget £000	Provisional Outturn £000	Variance	
			£000	%
Finance & Resources	12,681	13,548	867	6.8%
Strategic Planning & Environment	6,193	6,130	(63)	-1.0%
Housing & Communities	1,978	1,977	(1)	0.0%
<b>Total</b>	<b>20,852</b>	<b>21,655</b>	<b>803</b>	<b>3.9%</b>

- 2.6 The following sections provide a subjective analysis of provisional outturn and major budget variances shown by Scrutiny area.

### 3. Finance and Resources

Finance & Resources	Controllable Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	10,635	11,378	743	7.0%
Premises	2,226	2,405	179	8.0%
Transport	40	39	(1)	-2.5%
Supplies & Services	4,753	4,712	(41)	-0.9%
Third-Parties	1,404	1,574	170	12.1%
Income	(6,377)	(6,560)	(183)	2.9%
	<b>12,681</b>	<b>13,548</b>	<b>867</b>	<b>6.8%</b>

#### 3.1 Employees - £743k over budget (7%)

In February 2014, following the triennial actuarial review of the Council's pension scheme, Full Council approved a one-off payment of £745k (General Fund element) to reduce the deficit on the pension scheme. At the time of approval it was anticipated that this payment would be made in the financial year 2014/15. However, since approval the Council received notification that payment was required in March and therefore would come from the 2013/14 budget. This payment has been funded from the Pensions Reserve, and therefore has no impact on the overall outturn position.

In addition, there is an underspend of £75k caused by the re-scheduling of the Council's internal Apprentice Scheme for which costs will now be incurred in 2014/15. Again, this will be funded from earmarked reserves, and therefore it has no impact on the overall outturn position.

### **3.2 Premises – £179k over budget (8%)**

This principle reason for this overspend (£130k), was the responsive repairs carried out to the Council's commercial and investment properties during March caused by the adverse weather conditions experienced over the winter months.

In addition there was a £40k pressure caused by repairs and replacements undertaken to Community Centres.

### **3.3 Supplies and Services - £41k under budget (0.9%)**

There is an underspend of £140k due to a re-phasing of the EDRMS project into 2014/15. The project is funded from earmarked reserves and therefore has no impact on the overall outturn position.

The underspend is partly off-set by the transfer of capital costs (£120k) to revenue. These costs were originally classified as capital expenditure, but, in light of the Council's decision not to decant to 39/41 The Marlowes, they must now be reclassified as revenue expenditure.

### **3.4 Third Parties - £170k over budget (12.1%)**

This relates primarily (£205k) to one-off start-up costs following the outsourcing of Customer Services Unit to Northgate. This is funded in part from the Housing Revenue Account (c£75k), with the remainder (£133k) from earmarked reserves, and therefore has no impact on the overall outturn position.

### **3.5 Income – £183k over achieved (2.9%)**

£120k comes from increased income from Investment Properties, due to the successful implementation of retrospective rent reviews, income from newly acquired properties e.g. The Point, and the transfer of HRA investment properties.

#### 4. Strategic Planning and Environment

Strategic Planning and Environment	Controllable Budget £000	Provisional Outturn £000	Forecast Variance	
			£000	%
Employees	8,258	8,166	(92)	-1.1%
Premises	882	966	84	9.5%
Transport	1,450	1,457	7	0.5%
Supplies & Services	5,289	5,362	73	1.4%
Third-Parties	143	145	2	1.4%
Income	(9,829)	(9,966)	(137)	-1.4%
	<b>6,193</b>	<b>6,130</b>	<b>(63)</b>	<b>-1.0%</b>

##### 4.1 Employees - £92k under budget (1.1%)

The underspends result primarily from staff savings in Clean, Safe & Green following the redesign and reduction of rounds for green waste collection (£30k); and, £30k in Spatial Planning due to a post being held open pending further service review. (This is offset by consultancy costs incurred to fill the post on a temporary basis, which are against the Supplies and Services budget.)

A further £40k underspend was due to the early departure of an agency member of staff from the Building Control team that was expected to be in post for the full year.

##### 4.2 Premises - £84k over budget (9.5%)

£30k additional costs were incurred at Cupid Green Depot following a requirement by the Environment Agency to re-concrete part of the site.

A further £30k overspend was incurred through responsive repairs to car parks following the damage caused by the extreme weather conditions experienced in the first quarter of 2014.

##### 4.3 Supplies and Services - £73k over budget (1.4%)

An overspend of £95k occurred on the Public Service Quarter due to additional consultancy and legal work required for the detailed dialogue stage of the project.

In addition, there was a £79k underspend caused by the re-phasing of the Council's external Apprentice Scheme which will now be delivered substantially in 2014/15. This budget is funded from earmarked reserves and therefore has no impact on the overall outturn position.

##### 4.4 Income - £137k over achieved (1%)

Income exceeded budget within Pay and Display (£50k), Penalty Charge Notices (£65k), and Development Control (£80k).

This is partly off-set by lower than expected income from the County Council for the diversion of waste away from landfill (£112k). This income is a formula driven reward grant and has reduced due to an increase in forecast waste for quarter 4.

## 5. Housing and Community

Housing & Community	Controllable Budget	Provisional Outturn	Forecast Variance	
	£000	£000	£000	%
Employees	3,128	3,140	12	0.4%
Premises	393	506	113	28.8%
Transport	46	40	(6)	-13.0%
Supplies & Services	2,354	2,207	(147)	-6.2%
Third Parties	25	25	0	0.0%
Income	(3,968)	(3,941)	27	-0.7%
	<b>1,978</b>	<b>1,977</b>	<b>(1)</b>	<b>-0.1%</b>

### 5.1 Premises - £113k over budget (28.8%)

£50k relates to the reclassification of expenditure from capital to revenue, identified as part of the year-end process.

£35k relates to additional CCTV costs arising due to the delayed completion of the relocation to the Cupid Green site. The delay meant that extra connectivity costs were incurred from an external provider. External provision is no longer necessary now that the service is provided from Cupid Green.

### 5.2 Supplies & Services

£125k reduction in recharge to the HRA for the management and maintenance of garages following a review, and subsequent reduction, of officer time allocation by HRA staff. The corresponding pressure on the HRA can be seen in paragraph 7.7.

## 6. Non-Controllable Expenditure

6.1 Appendix A sets out the outturn for non-controllable expenditure. These are largely year-end accounting adjustments which are reversed out below the General Fund Service Expenditure line, and therefore have no impact on the overall outturn position. The major variances are set out below:

	£
Capital Charges (Reversed no impact on overall outturn)	4,602,000
Pension Adjustments (Reversed no impact on overall outturn)	(977,000)
Housing Benefits and Subsidy	82,000
Recharges (HRA / General Fund change)	<u>(179,000)</u>
<b>Total</b>	<b>3,528,000</b>

## 7. Housing Revenue Account (HRA)

7.1 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 provisional outturn position for the HRA is shown at Appendix B.

7.2 The provisional HRA balance at the end of 2013/14 is £2.724m. The operating position is broadly balanced, with a provisional deficit of £53k, which is £38k more than the forecast deficit within the revised budget. Significant variances are

explained in the paragraphs below.

### **7.3 Leaseholder Charges £189k below budget (48.2%)**

The income for leaseholder charges reflects the incorrect processing of an accrual (£215k) in 2012/13. This effectively means that three 'half-years' of income were recognised in 2012/13, leaving only one 'half-year' to be recognised in 2013/14. Over the two years in question, the amount of income received by the HRA has been on budget.

### **7.4 Contributions to Expenditure £207k above budget (45.4%)**

This charge represents the amounts paid by leaseholders for work on specific improvement projects to shared areas. This variance is due to a change in accounting treatment for that element of the Contribution that applies specifically to lift replacements. The increased income is offset by the increased Contribution to Earmarked Reserves and therefore has no impact on the operating surplus of the HRA.

### **7.5 Repairs and Maintenance £957k over budget (8%)**

The outturn for Repairs and Maintenance reflects an overspend caused primarily by an increase in demand for responsive repairs following the adverse weather conditions experienced over the winter months.

### **7.6 Revenue Contribution to Capital £2,222k below budget (14%)**

Revenue Contribution to Capital (RCC) is that amount of surplus revenue, generated over the course of the year, which is transferred out of the Housing *Revenue* Account into the Housing *Capital* Programme in order to fund capital projects.

Because it is revenue over and above the amount that is required to operate the HRA for the year, the *actual* level of RCC will go up or down dependent on over- or under-spends elsewhere within the HRA budget. Therefore, the reduction in RCC at provisional outturn 2013/14 reflects the cumulative overspend elsewhere in the budget.

In summary, this means that £2.222m less than budgeted will be available to spend on HRA capital projects in future years. There remains sufficient capital funding within the HRA to ensure that the current programme can be delivered.

### **7.7 Supervision and Management £501k over budget (4.7%)**

This overspend relates to three key areas:

- The HRA share of the one off payment for pension back-funding referred to in paragraph 3.1 (£210k), which was budgeted for 2014/15, but was brought forward to the final quarter of 2013/14.
- £75k increase in recharges from support services, primarily due to the one-off start-up costs associated with the implementation of the Northgate contract within the Customer Service Unit.

- £125k reduction in recharge income for the management and maintenance of garages following a review, and subsequent reduction, of officer time allocation by HRA staff.

#### **7.8 Provision for Bad Debts £149k over budget (70.3%)**

The increase in the bad debt provision reflects a combination of the following factors:

- Throughout 2013/14 there has been an increase in the overall arrears level of £150k. This equates to 0.3% of rental income for the year, which represents an improvement on previous years.
- There has been an increase in the element of the bad debt provision relating to the debts of former tenants. Although tenant eviction rates have not increased throughout 2013/14, the average debt of a tenant evicted for rent arrears is considerably higher than it has been in the past. This is primarily due to increasing rental charges and the protracted legal process associated with eviction.

#### **7.9 Depreciation £444k over budget (5%)**

The annual depreciation charge is a nominal amount that represents the total value of the housing stock that has been 'used' over the course of the year. For audit purposes, the DBC housing stock is said to have a 'useful economic life' of 60 years, therefore the annual depreciation charge is approximately one sixtieth of the value of the housing stock. The charge for depreciation in 2013/14 is above budget because the value of the housing stock has increased since the budget was set.

#### **7.10 Contribution to/(from) earmarked reserves £238k (4.8%)**

The increase in transfer to reserves is largely (£200k) due to the transfer of leaseholder contributions to lift repairs following a change in the accounting treatment, as explained in paragraph 7.4.

### **8. Provisional Capital Outturn**

8.1 The provisional capital outturn position is summarised by Scrutiny area in the table below. Appendix C shows the provisional outturn by scheme.

The 'Forecast Slippage' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2014/15 rather than 2013/14.

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 e.g. the Decant project.



	Revised Budget £000	Provisional Outturn £000	Forecast Slippage £000	Variance	
				£000	%
Finance & Resources	3,021	2,746	92	(183)	-6.1%
Strategic Planning & Environment	2,202	2,030	12	(160)	-7.3%
Housing & Community	8,717	8,604	40	(73)	-0.8%
<b>G F Total</b>	<b>13,940</b>	<b>13,380</b>	<b>144</b>	<b>(416)</b>	<b>-3.0%</b>
<b>HRA Total</b>	<b>29,038</b>	<b>26,956</b>	<b>1,596</b>	<b>(486)</b>	<b>-1.7%</b>
<b>Grand Total</b>	<b>42,978</b>	<b>40,336</b>	<b>1,740</b>	<b>(902)</b>	<b>-2.1%</b>

## 8.2 General Fund Major Variances

The major variances on the General Fund Capital Programme are as follows:

- There have been delays to the Old Town Hall project caused by the unpredictability of undertaking works on listed buildings, which have resulted in slippage of £200k in to 2014/15.
- The work at Highbarns will be completed in 2014/15 resulting in slippage of £230k.
- There is also an underspend because the Decant project will no longer go ahead (£250k). Under these circumstances any expenditure has to be treated as Revenue.

## 8.3 Housing Revenue Account Major Variances

The major variances on the HRA capital programme are as follows:

- The overspend on Planned Fixed Maintenance (£1.4m) is due to the replacement of Kitchens and Bathrooms identified in void properties and the re-profiling of the Keepmoat contract, which resulted in 15 months' work being completed in 2013/14. This was agreed in anticipation of the new Total Asset Management Contract.
- There has been cost slippage to the New Build works at Berkhamsted and London Road Apsley, that will now be reflected in the 2014/15 expenditure. However, both projects remain on target for the original completion.
- The budget for the transfer of land from the General Fund at London Road Apsley shows an underspend of £1.8m. The cost to the HRA was £1.8m, as budgeted, but there was a change in the anticipated accounting treatment which meant that the funds were transferred through an adjustment to the Capital Financing Requirement rather than a standard budget purchase.

## 9. Balances and Reserves

9.1 The Reserves Summary at Appendix D reflects the movements previously approved by Council, together with the following recommendations:

- Pensions Reserve – draw down £745k  
To part-fund the deficit on the Council's pension scheme. As explained in paragraph 3.1, this draw down is now required in 2013/14 rather than 2014/15, as previously approved by Council.
- Management of Change Reserve – draw down £130k  
To fund redundancy and restructuring costs associated with efficiency initiatives across the Council's services.
- PSQ Reserve – contribution £200k  
To part finance the costs associated with the development of the PSQ, including consultancy costs and supplies and services.
- Dacorum Development Reserve – contribution £100k  
To part finance the costs of future regeneration projects within the borough.

9.2 In cases where reserves were to be drawn down in 2013/14 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down. The remainder is held in reserve to fund the approved expenditure as it is incurred in future years.