



**AGENDA ITEM:
SUMMARY**

Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	
PART:	1
If Part II, reason:	

Title of report:	Provisional Outturn 2013/14
Contact:	Cllr Nicholas Tiley, Portfolio Holder for Finance and Resources James Deane, Assistant Director (Finance & Resources)
Purpose of report:	To provide details of the provisional revenue and capital outturn position for the Housing and Community Overview and Scrutiny area for 2013/14.
Recommendations	That the Committee note the provisional outturn position.
Corporate objectives:	This report supports all of the Council's Corporate Objectives.
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.
Equalities Implications	There are no equality implications.
Consultees	Budget Holders

Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund H&C – Housing and Community HRA – Housing Revenue Account
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1. Introduction

1.1 The purpose of this report is to outline for the Housing and Community (H&C) Overview and Scrutiny Committee, the Provisional Outturn for 2013/14, prior to the closure of the accounts. Outturn is reported for the following:

- General Fund Revenue Account
- Housing Revenue Account
- Capital Programme

2. General Fund Revenue Account

2.1 The General Fund (GF) revenue account records the income and expenditure associated with all Council functions except management of the Council's housing stock which is accounted for within the Housing Revenue Account (HRA), see section 4.

2.2 To provide Committee with some council-wide context, a summary of the GF provisional outturn position, analysed by OSC, is shown in Appendix A.

2.3 Appendix A separates expenditure into controllable and non-controllable categories in order to focus scrutiny on those controllable areas that officers are able to influence.

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 3 of this report.

2.5 The provisional outturn for H&C is broadly on budget. The following table and narrative analyses the variances comprising the overall position by category of expenditure.

Housing & Community	Controllable Budget £000	Provisional Outturn £000	Variance	
			£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%
	1,978	1,977	(1)	-0.1%

2.6 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.

2.7 Supplies & Services - £147k under budget (6.2%)

£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 4.7.

3. Non-Controllable Expenditure

- 3.1 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)	817,000
Pension Adjustments (Reversed no impact on overall outturn)	194,000
Recharges (HRA / General Fund change)	<u>(30,000)</u>
Total	981,000

4. Housing Revenue Account (HRA)

- 4.1 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.

- 4.2 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.

4.3 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.

4.4 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.

4.5 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.

4.6 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.

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

This overspend relates to three key areas:

- In February 2014, following the triennial actuarial review of the Council's pension scheme, Full Council approved a one-off payment of £950k to reduce the deficit on the pension scheme. The HRA share of this payment was £210k, which was budgeted for 2014/15, but was subsequently 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.

4.8 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.

4.9 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.

4.10 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 4.4, above.

5. Capital Programme

5.1 The table below summarises the provisional outturn for the capital programme. The detailed capital programme by scheme is set out at Appendix C.

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.

	Revised Budget	Provisional Outturn	Slippage	Variance	
	£000	£000	£000	£000	%
Housing & Community	8,717	8,604	105	(8)	-0.1%
G F Total	8,717	8,604	105	(8)	-0.1%
HRA Total	29,038	26,956	1,596	(486)	-1.7%

5.2 General Fund Major Variances

Major variances on the General Fund Capital Programme are as follows:

- The work at Highbarns will be completed in 2014/15 resulting in slippage of £230k (line108).

- 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 (line 135).
- There is an in-year pressure of £361k on the Elms Hostel project on Redbourne Road (line 141). This is merely due to expenditure being incurred earlier than anticipated, and is not indicative of a likely overspend on the project. Budget previously allocated to 2014/15 has been brought forward to 2013/14 in order to fund the pressure.

5.3 Housing Revenue Account Major Variances

Major variances on the HRA Capital Programme are as follows:

- The £1.4m overspend on Planned Fixed Maintenance (line 194) is due to two key factors:
 - an increase in the number of kitchens and bathrooms being replaced as properties become void on the change of ownership; and,
 - an amendment to the Keepmoat contract to enable 15 months' work to be completed within the 12 months of 2013/14. This was negotiated in order to ensure that the Council is prepared for the commencement of the new Total Asset Management Contract in July 2014.
- There has been cost slippage to the new build works at Farm Place, Berkhamsted (line 202), for which expenditure will now be incurred in 2014/15. The project remains on target for the original completion date.
- The project at Galley Hill, Gadebridge (line 203) shows an in-year pressure of £260k which relates to expenditure on the project being incurred earlier than anticipated. This is not indicative of a likely overspend on the project. Budget previously allocated to 2014/15 has been brought forward to 2013/14 in order to fund the pressure.
- There are two elements of note relating to the new build project at London Road Apsley (line 204):
 - cost slippage of £480k which will now be incurred in 2014/15, although the project remains on target for the original completion date; and,
 - a forecast underspend of £1.8m on completion of the project, relating to the transfer of land from the GF to the HRA. The actual cost to the HRA of delivering the project remains as originally budgeted, but there has been a change in the accounting treatment for the transfer of the land, which means that the funds have been transferred through an adjustment to the Capital Financing Requirement rather than through a standard budget purchase.
- The underspend of £970k showing against the Strategic Acquisitions budget (line 207) does not reflect project delivery. Rather, the £5m budget is set to enable the HRA to respond promptly to opportunities for the purchase of land as they arise. Throughout 2013/14 £970k was not required.