



AGENDA ITEM: 6

SUMMARY

Report for:	Housing & Community Overview and Scrutiny Committee
Date of meeting:	10 June 2015
PART:	1
If Part II, reason:	

Title of report:	Provisional Outturn 2014/15
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance & Operations) Richard Baker, Group Manager (Financial Services)
Purpose of report:	To provide details of the provisional outturn position for the: <ul style="list-style-type: none"> · General Fund · Housing Revenue Account · Capital Programme
Recommendations	That Committee note the provisional outturn position.
Corporate objectives:	Dacorum Delivers
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.
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 Provisional Outturn for 2014/15, 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 26 June 2015 if there are any material variances.

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. This is accounted for within the Housing Revenue Account (HRA) (see Section 5).

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, which 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. The provisional adjustments that have been completed to date are explained in section 4 of this report.

2.4 The table below provides a summary of the provisional outturn for the General Fund by Scrutiny area.

	Original Budget £000	Provisional Outturn £000	Forecast Variance	
			£000	%
Finance & Resources	11,746	11,772	26	0.2%
Strategic Planning & Environment	6,169	5,706	(463)	-7.5%
Housing & Community	1,555	1,538	(17)	-1.1%
Total	19,470	19,016	(454)	-2.3%

2.5 It should be noted that the above variances are measured against the Original Budget as opposed to a Revised Budget. In previous years, the Revised Budget has been approved in February, and the Provisional Outturn has been measured against this Revised Budget. An overall variance of 2.3% in controllable expenditure against the Original Budget represents a significant improvement in financial management across the Council when compared with previous years.

2.6 The following section provides a subjective analysis of provisional outturn and major budget variances shown by Scrutiny area.

3. Housing and Community

Housing & Community	Controllable Budget £000	Forecast Outturn £000	Forecast Variance	
			£000	%
Employees	3,213	3,294	81	2.5%
Premises	402	381	(21)	-5.3%
Transport	43	37	(6)	-13.9%
Supplies & Services	1,965	1,972	7	0.4%
Third Parties	25	26	1	4.3%
Income	(4,094)	(4,173)	(79)	1.9%
	1,555	1,538	(17)	-1.1%

3.1 Employees - £81k over budget (2.5%)

This overspend is across services, and is as a result of the vacancy factor not being achieved.

3.2 Premises - £21k under budget (5.3%)

Saving of £70k – In the Homelessness service, there have been savings in temporary accommodation costs arising from 2 key factors: firstly improved advice and prevention has led to a reduced need for temporary accommodation, and secondly, the Council-owned Leys Road hostel has now been open for the first full year.

Overspend of £66k - Dacorum has taken over the management of 2 Homes of Multiple Occupancy, through the process of Management Orders. This was due to the inadequate state of the properties which were posing a health and safety risk to tenants. Expenditure of £66k has been incurred to bring the properties up to the required standard. This will be recovered in full, as rental income from tenants is being retained by Dacorum until the expense is recovered.

3.3 Supplies and Services - £7k over budget

Underspend of £50k - A saving has been achieved against a budget of £83k on the cost of the Housing Stock Condition Survey. This was due to a joint procurement process being carried out with East Herts and Welwyn Hatfield District Councils. This expenditure is funded from reserves, so there will be no impact on the outturn overall.

Overspend of £36k - Unbudgeted expenditure has been incurred relating to the Community Safety Partnership. This expenditure is fully matched by increased grant income meaning that there is no overall impact on the taxpayer (see paragraph 3.4).

3.4 Income - £79k over achieved (1.9%)

Surplus of £60k - An increase in income across Regulatory Services has been generated, in the areas of Environmental Protection & Housing, Pest Control, Disabled Facility Grant Agency income and Primary Authority work.

Surplus of £36k - The grant income for the Community Safety Partnership of £36k referred to in paragraph 5.3 is unbudgeted income which offsets the budget pressure in expenditure.

4. Non-Controllable Expenditure

4.1 Appendix A includes the provisional outturn for non-controllable expenditure. These are largely year-end accounting adjustments. There will be further adjustments as work on the Statement of Accounts continues, but major variances arising to date are shown below:

	£
Bad debt provision	<u>(20,000)</u>
Total	(20,000)

4.2 At the time of writing, the depreciation and recharge calculations for the year have yet to be finalised and included within the non-controllable expenditure section of Appendix A. At this stage, both have been included as on budget.

4.3 The depreciation charge is an accounting adjustment which has no impact on the taxpayer. However, the recharge calculation is likely to result in the charge to the HRA deviating from budget. Any changes resulting from the recharge calculation will be reported to the Audit Committee as part of the Final Outturn report.

5. Housing Revenue Account (HRA)

5.1 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.

5.2 The provisional HRA balance at the end of 2014/15 is £2.9m, which complies with the Council's approved strategy of maintaining a minimum balance on the HRA of 5% of turnover (£2.85m).

5.3 Over the course of the year the HRA generated a surplus of £177k, which is £62k lower than the budgeted surplus. Significant variances are explained in the paragraphs below.

5.4 Dwelling Rents - £136k surplus (0.3%)

Surplus income has been generated due to a number of tenants moving to target rent as they have begun a new tenancy. The level of void properties has also been kept low, with the average for the year running at approximately 0.6% (an estimate of 1% was used to set the budget).

5.5 Non Dwelling Rents - £30k surplus (37.5%)

A surplus has been generated on income from third parties for commercial use, for example telecommunications companies locating masts on HRA land. This is due to backdated income coming to the Council following the recent resolution of lease issues.

5.6 Leaseholder Charges - £34k surplus (7.9%)

This surplus is as a result of under-budgeted insurance costs chargeable to leaseholders. This has been corrected for Budget 2015/16.

5.7 Interest and Investment Income - £78k surplus (78%)

An increase in the number of Right to Buy sales over the year has resulted in increased capital balances, which have generated additional investment income.

5.8 Contribution towards expenditure - £210k surplus (45.7%)

This surplus results from the high number of repairs carried out in 2013/14 which were subsequently recharged to leaseholders on an arrears basis in 2014/15.

5.9 Repairs and Maintenance - £1,043k under budget (8.1%)

There is an efficiency saving of £400k across the areas of Responsive Repairs and Void Repairs arising from the new Total Asset Management contract with Osborne which commenced in July 2014.

There is an underspend of £680k in the area of Planned Maintenance due to delays in the programme of works, following the implementation of the Osborne contract in July 2014. The delay in the programme will be caught up in 2015/16.

5.10 Supervision and Management - £77k under budget (0.7%)

The underspend relates to:

Pension backfunding paid in 2013/14 – £210k. In February 2014, following the triennial actuarial review of the Council's pension scheme, Full Council approved a one-off payment of £210k (HRA 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.

Savings of £80k generated from the implementation of energy efficiency projects, including installation of solar panels on some sheltered housing roofs.

Underspend of £40k Under-Occupation Incentive Scheme – the number of tenants paid an incentive to move to a smaller home has been lower than anticipated, due to a lower than expected take up of the policy.

Underspend of £320k in Salaries - of this underspend, £120k relates to the TUPE of staff to Osborne. Other savings have arisen from a number of vacancies being held due to a restructure.

Off-set by overspends relating to:

£500k - Uninsured losses relating to insurance claims from tenants for damages to buildings and water leaks. After incorporating this year's figures, trend analysis has been carried out and the budget has been increased for 2015/16.

£100k - ICT costs related to the Total Asset Management contract and merging Orchard with Osborne's equivalent (£50k), and additional development work to improve in-house systems such as Orchard and Sprint.

5.11 Revenue Contribution to Capital £1,672k over budget

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 increase in RCC at provisional outturn 2014/15 reflects the cumulative underspend elsewhere in the budget.

In summary, this means that £1,672k more than budgeted will be available to spend on HRA capital projects in future years. This will ensure that the capital

programme, which includes elements such as the new build programme, can be successfully delivered.

6. Provisional Capital Outturn

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

The 'Rephasing' column refers to those projects where expenditure is still expected to be incurred, but will now be in 2015/16 rather than 2014/15, or conversely, where expenditure planned initially for 2015/16 has been incurred in 2014/15.

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	Provisional Outturn £000	Rephasing £000	Variance	
				£000	%
Housing & Community	5,856	6,540	(3)	686	11.7%
G F Total	5,856	6,540	(3)	686	11.7%
HRA Total	35,050	25,469	(8,282)	(1,300)	-3.7%

6.2 General Fund Major Variances

The final position for the General Fund comprises the following elements:

- £686k - overspends on completed projects
- £3k - slippage on incomplete projects into 2015/16

The major variances on the General Fund capital programme are as detailed below.

6.3 Net overspend of £686k comprises the following key elements:

- Line 106: unbudgeted spend of £653k relating to the Highbarns Land Stabilisation Project. This expenditure is for work to the highways which has been fully funded by Herts County Council.
- Line 129: an underspend of £150k on Home Improvement Loans due to take up being less than expected. The annual budgets for future years have been reduced from £250k to £150k to reflect a lower than anticipated demand going forward.
- Line 142: a pressure of £174k on the Elms Hostel development at Redbourne Road due to the tender price being higher than budgeted. Section 106 funding has been earmarked to offset this pressure.

6.4 Slippage of £1.864m comprises the following major elements:

- Line 106: £77k slippage on Highbarns Land Stabilisation Project. The majority of the work at this site is complete and the Council has fulfilled its obligation under the Derelict Land Clearance order. However the work is not completely finished and final sign off from the contractor is awaited.
- Line 116: £194k slippage on the purchase of the land at Bunkers Farm for a new burial site. The land will be purchased from the Homes & Communities Agency, once satisfactory site investigations have been concluded, which is estimated to be early 2015/16.

These are offset by pressures requiring funding to be drawn from the 2015/16 budget allocation:

- Line 142: £250k pressure on the Elms Hostel due to the tender price being higher than budgeted. This is in addition to the £173k referred to above. The total overspend is £424k. The £250k will be funded from budget brought forward from the Affordable Housing Development Fund.

6.5 Housing Revenue Account Major Variances

There is a projected underspend on the HRA capital programme of £1.3m.

- Line 196: £331k underspend on the New Build at Farm Place Berkhamsted where the tender price was lower than budgeted.
- Line 201: £970k underspend relating to the transfer of The Point from the General Fund to the HRA, which will be made through an accounting adjustment rather than the use of budget. The financial implications for both funds will be exactly the same.

There is projected slippage of £8.28m into 2015/16 from the following:

- Line 194: £1.3m slippage in Planned Fixed Expenditure. This figure is mainly due to re-profiling of large projects which continue into 2015/16, offset by efficiencies identified in the Osborne open book contract.
- Line 196: £217k slippage on the New Build scheme at Farm Place, which was due for completion at the end of March but will now complete early 2015/16.
- Line 198: £2.89m of slippage due to delays on the New Build scheme at London Road. Construction works have been delayed due to difficulties relocating the substation during the initial phase of the scheme. Works have now commenced and the contractor is on site.
- Line 200: £3.98m of slippage on the purchase of land for the new build site at Martindale. A deposit of 5% has been paid in this financial year to secure the purchase, but the balance has been paid in 2015/16 following completion of an archaeological survey and the granting of planning permission.