



**AGENDA ITEM:  
SUMMARY**

<b>Report for:</b>	<b>Housing &amp; Community Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>5<sup>th</sup> July 2017</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Provisional Outturn 2016/17</b>
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>Authors: David Skinner, Assistant Director (Finance &amp; Resources) Richard Baker, Group Manager (Financial Services)</p> <p>Contact: James Deane, Corporate Director (Finance &amp; Operations)</p>
Purpose of report:	<p>To provide details of the provisional outturn position for the:</p> <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	That Committee note the provisional 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.
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 MTFS – Medium Term Financial Strategy

## 1. Executive Summary

1.1 The contribution to the earmarked reserves, as shown in paragraph 3.5, is £1.158m. This budget surplus has been analysed as part of the normal year end process, to ensure that ongoing savings have been identified and captured in the base budget going forward and one off items have been challenged.

1.2 Items of a one-off nature that are imprudent have not been built into the base budget based on a risk assessment of the likely recurrence, and these include:

- Housing benefit subsidy £110k surplus, (0.2% of budget)
- Parking income surplus £100k as this income is weather dependant
- Waste Services income from the Alternative Financial Model due to the current model being under review

1.3 Items captured in the base budget going forward include:

- Garages income additional £400k from 2017/18
- Investment Property inflationary increases £90k
- Ongoing savings in employees budgets such as the savings in the leadership team (£75k) following the restructuring.

1.4 The HRA has had increased pressure in Quarter 4 from additional voids (£100k) and the repairs following from storm Doris late in the year (£110k). These additional pressures coupled with the income pressures forecast through the year mean a reduction in the contribution to reserves of £351k.

1.5 General Fund Capital spending is on track with rephasing limited to 1.5% of the budget and consistent with forecasts made at Quarter 3.

1.6 The HRA Capital programme is consistent with previous reports with the main item being the underspend on the Osborne contract (£2.2m) to reflect the balancing of revenue and capital repairs over the year.

1.7 In line with the policy of maintaining the General Fund working balance at £2.5m the surplus has been moved to earmarked reserves as per the recommendation to Cabinet 23<sup>rd</sup> May as shown in paragraph 8.1 and is broken down as follows:

- Contribution to Management of Change reserve £450k
- Contribution to Capital Development Reserve £500k
- Contribution to Parking Reserve £208k

## 2. Introduction

- 1.1 The purpose of this report is to outline the Provisional Outturn for 2016/17, 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 2015 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 Grant Thornton.
- 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 consistent with the final outturn position reported to Audit Committee at its meeting of 28 June 2017.

## 3. General Fund Revenue Account

- 3.1 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).
- 3.2 The current budget is the original budget approved by Cabinet in February 2016, plus the following approved amendments:

Amendments	£000	Approved
<b>2016/17 Original budget</b>	<b>16,946</b>	
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
Pensions	(900)	Council April 2017
<b>2016/17 Current Budget</b>	<b>16,173</b>	

- 3.3 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.
- 3.4 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. The provisional adjustments that have been completed to date are explained in section 5 of this report.

3.5 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	Provisional Outturn £000	Variance	
			£000	%
Finance & Resources	7,245	6,820	(425)	-5.9%
Strategic Planning & Environment	7,107	6,933	(174)	-2.4%
Housing & Community	1,821	1,618	(203)	-11.1%
<b>Total</b>	<b>16,173</b>	<b>15,371</b>	<b>(802)</b>	<b>-5.0%</b>
Non-controllable budgets	(9,913)	(9,966)	(53)	0.5%
Earmarked Reserve movements	(6,260)	(6,563)	(303)	4.8%
<b>Contribution (to)/from General Fund Working Balance</b>	<b>0</b>	<b>(1,158)</b>	<b>(1,158)</b>	

### 3.6 Key changes between periods

The forecast position at quarter 3 was a contribution to working balances of £262k. A summary of the changes between periods, which make up the increase to working balances of £1,158k are as follows:

<b>Budget Monitoring Quarter 3 - variance against GRF working balances</b>	<b>(262)</b>
Planning Income exceeded projection	(190)
General Fund properties used for Temporary Accommodation	(129)
Investment Property income - service charges and turnover based rent	(110)
Waste Services income	(130)
Reduction in overspend forecast against vacancy provision	(110)
Additional government grants notified in Quarter 4	(76)
Benefits Subsidy	(110)
Increase in recharge to the HRA	(43)
Other minor items	2
<b>Budget Monitoring Quarter 4 - variance against GRF working balances</b>	<b>(1,158)</b>

3.7 The following sections provide an analysis of the projected outturn and major budget variances shown by Scrutiny area.

## 4. Housing and Community

Housing & Community	Current Budget	Provisional Outturn	Variance	
	£000	£000	£000	%
Employees	2,549	2,672	123	4.8%
Premises	805	761	(44)	-5.5%
Transport	16	13	(3)	-18.8%
Supplies & Services	2,134	2,111	(23)	-1.1%
Third Parties	758	743	(15)	-2.0%
Income	(4,441)	(4,682)	(241)	5.4%
	<b>1,821</b>	<b>1,618</b>	<b>(203)</b>	<b>-11.1%</b>

#### 4.1 Employees - £123k over budget (4.8%)

Pressure of £123k – In certain services such as the Adventure Playgrounds where adult to child ratios need to be maintained, the vacancy provision is not applied and the overspend here is a result of staffing levels needing to be achieved during periods of sickness.

Staffing costs (£56k) that are being recovered for staff seconded to partners with no net cost to the Council are included within this section with the income over-achievement set out in paragraph 4.2.

#### 4.2 Income - £241k over-achievement (5.4%)

Over-achievement of income £210k – The income from the rental of Garages has exceeded budget by £210k. This is due to the improvements and active management implemented within Housing during 2016/17 to minimise void levels. An increase in garage income (£400k) has been factored into the 2017/18 base budget.

Income associated with the recovery of staff costs (£56k) seconded to partners as per paragraph 4.1 is also included within this heading.

### 5. Non-Controllable Expenditure and Corporate Items

3.8 Appendix A includes the provisional outturn for non-controllable expenditure and corporate items. These are largely year-end accounting adjustments. The major variances are detailed below:

Surplus of £110k – There is a surplus of £110k in Housing Benefits and Subsidy. This is a variance of 0.2% on the total budget, which amounts to £48.2m.

Surplus of £43k – There is a surplus of £43k on the recharge to the HRA. The year end review of recharges has been carried out, and based on updated time allocations, an increased recharge to the HRA of £43k is required.

Surplus of £26k – There is a surplus of £26k on Interest Receipts. Slippage and underspends on the General Fund capital programme of £2.4m, has meant the

Council has held higher cash balances during the year. These higher balances have been invested in line with the Council's treasury management strategy and have generated an additional £26k of interest receipts.

Surplus of £210k - Additional new burdens grants totalling £204k, along with an adjustment of £6k to prior year New Homes Bonus grants, provide an additional £210k 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. Section 31 grants are retained corporately unless there is evidence of a significant New Burden.

Increase in Revenue Contribution to Capital £336k – this increase is in line with 2016/17 reserves movements approved by Council in February 2017 as part of the 2017/18 budget setting process.

- 3.9 Further accounting adjustments have been processed since the production of the Provisional Outturn, however no major variances have arisen through this process, and the position detailed in this report is consistent with the outturn position reported to Audit Committee at its meeting of 28 June 2017.

## 6. Housing Revenue Account (HRA)

- 3.10 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.

### 3.11 Key changes between periods

The forecast position at Quarter 3 was a reduced contribution to balances of £345k. The position at Quarter 4 is a reduced contribution to balances of £351k. Although this is a small movement overall, there are a number of items which make up this movement, which are as follows:

<b>Budget Monitoring Quarter 3 - HRA variance against contribution to balances</b>	<b>345</b>
Properties owned by the General Fund £210k, £65k higher than expected level of Right To Buy sales	275
Leaseholder Service Charges - higher than anticipated recovery	(170)
Increase in responsive repairs	204
Premises expenditure in Supported Housing (building R&M and utilities)	(130)
Increased income from minor capital receipts	(60)
Increased underspend from vacancies in services	(50)
Other minor changes	(63)
<b>Budget Monitoring Quarter 4 - HRA variance against contribution to balances</b>	<b>351</b>

- 3.12 The following sections provide an analysis of the projected provisional outturn and major budget variances shown by HRA grouping as set out in Appendix B.

#### **4.3 Dwelling Rents - £693k under-achievement of income (1.2%)**

£415k of the pressure on this budget line is due to General Fund properties being used by the HRA to house Council tenants. A budget of £160k was incorrectly allowed for this in the Supervision and Management line as a recharge from the General Fund. The combination of the budgeting error (£160k) plus the additional use of the General Fund properties (£210k) results in a £370k under achievement of income.

£120k of the pressure is due to a budgeting error in Supported Housing (0.2%), and an additional £115k is due to higher than expected Right to Buy sales.

#### **4.4 Non-Dwelling Rents - £42k over-achievement of income (52.2%)**

This income stream relates to rental income on telecommunications aerials around the borough. New leases have been negotiated which has generated an additional £42k of income.

#### **4.5 Contribution towards Expenditure - £90k over-achievement of income (13.7%)**

A deficit of £135k had been anticipated in leaseholder charges for repairs work, however the final figure for the year is a surplus of £22k. The service have worked closely with Osborne during the year on the level of works chargeable to leaseholders, and a more accurate estimate has therefore been produced for this financial year end.

There is a surplus on the budget for minor capital receipts of £133k for work carried out by the Estates and Legal teams, such as deed of variation and lifting of restrictive covenants. This is partially offset by a deficit of £80k in income generated from recharges to tenants and leaseholders, as the income generated to date has been modest.

#### **4.6 Repairs and Maintenance - £477k over budget (4.5%)**

The pressure in repairs reported at period 9 was £273k. Since period 9 contractual discussions over charging rates have caused some delays in the programme for planned work, and it was anticipated that overall the Repairs and Maintenance budgets would finish the year broadly in line with budget. During the last quarter and in particular the last month of the year however, there was a marked increase in responsive work volumes, which is attributed in the main to repairs required after storm 'Doris' (approximately £110k). There was also an increase in void works with a rise in the quarterly number of properties from a year average of 176 to 212. In addition Osborne under-estimated the amount of works in progress for year end when reported at period 11. A decision was taken earlier in the year to mitigate the position on revenue by withholding some elements of non-essential capital improvements works (see paragraph 7.4). This has been kept under review over the course of the year to ensure that the overall repairs and maintenance budget has been balanced across revenue and capital.

#### **4.7 Supervision & Management - £689k under budget (5.9%)**

The projected underspend has arisen in the following areas:

£160k underspend from the budget for General Fund properties being used by the HRA being set in Supervision and Management. The actual charge has been posted against Dwelling Rents.

£130k underspend on premises expenditure in Supported Housing. There is an underspend in building repairs and maintenance, and savings in utilities in Elderly Peoples' Dwellings.

£100k underspend in the Tenants and Leaseholders section from vacancies in the Supporting People service. This will be examined as part of the 2018/19 budget setting process to identify if the savings can be delivered on an ongoing basis.

£100k underspend in the Housing Cleaning service from vacancies in the service and a reorganisation of the management team. This will be examined as part of the 2018/19 budget setting process to identify if additional savings can be delivered on an ongoing basis as well as the supervisory post that has already been removed as part of 2017/18 savings.

£70k underspend in the Under Occupation Incentive Scheme due to lower volume of moves in the scheme this financial year.

#### **4.8 Transfer to Housing Reserves - £351k under budget (2.6%)**

The overall variance on the HRA is currently forecast to reduce balances by £351k. It is proposed that this be funded from an underspend in the capital budgets.

### **7. Capital Programme**

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

The table below 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	Provisional Outturn £000	Rephasing £000	Variance £000 %	
Housing & Community	1,742	1,707	(26)	(9)	-0.5%
<b>G F Total</b>	<b>1,742</b>	<b>1,707</b>	<b>(26)</b>	<b>(9)</b>	<b>-0.5%</b>
<b>HRA Total</b>	<b>27,390</b>	<b>19,236</b>	<b>(7,813)</b>	<b>(341)</b>	<b>-1.2%</b>
<b>Grand Total</b>	<b>29,132</b>	<b>20,943</b>	<b>(7,839)</b>	<b>(350)</b>	<b>-1.2%</b>

## 7.2 General Fund Major Variances

There are no variances in the General Fund capital budgets greater than £20k. 98% of the allocated budget has been spent to deliver the planned capital projects.

## 7.3 HRA Major Variances

### Key changes between periods – HRA

	Rephasing £'000	Variance £'000
<b>Budget Monitoring Quarter 3 - HRA Capital variance against budget</b>	<b>(5,668)</b>	<b>(501)</b>
Planned Fixed Expenditure - underspends in Osborne capital budgets to offset overspend in revenue budgets	(2,246)	184
Wood House - no spend had been expected this financial year, but the build has now commenced	552	0
Stationers Place - additional budget to be slipped	(145)	0
Able House - additional budget to be slipped	(329)	
Other changes	23	(24)
<b>Budget Monitoring Provisional Outturn - HRA Capital variance against budget</b>	<b>(7,813)</b>	<b>(341)</b>

## 7.4 There is an underspend on the HRA capital programme of £8.153m.

- Lines 181-185: slippage of £2.2m on the Property and Place budgets for planned capital works. Work streams managed by Osborne have been delayed due to contractual negotiations over charging rates. In addition, the revenue budgets managed by Osborne were forecast to exceed budget, and a decision was taken to slow down on non-essential capital work to balance this.
- Line 181-185: underspend of £351k on the budgets for planned capital works. This underspend has arisen from the gain share realised on Osborne capital works during the year. The underspend has been deliberately set aside and can be utilised to fund the overspend in revenue repairs in the HRA which is leading to the overall HRA revenue budget being in deficit of £351k.

- Line 189 and 190: underspend of £150k 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 to Stationers Place.
- Line 191: underspend of £791k 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 Stationers Place. The underspend on this line will therefore be transferred to Stationers Place via a reallocation of the slippage. This has been taken into account in the budget setting process for 2017/18.
- Line 193 slippage of £2m on Wood House. The anticipated commencement of the build slipped from September to January 2017, due to the procurement process taking longer than expected. There were clarification questions from bidders and additional time was requested.
- Line 194: slippage of £1.4m on Stationers Place. The project has slipped due to delays in the procurement process and the clarification process needed additional time.
- Line 199: slippage of £822k on Able House. The project started on site 2 months later than expected, and is therefore expected to finish in 2017/18 rather than the end of 2016/17.
- Line 198: slippage of £1.3m on Swing Gate Lane. The project has been moved back 3 months.

## **8. Balances and Reserves**

8.1 Appendix A shows that after the above reserve movements are made there will be an increase to the General Fund Working Balance of £1.158m. In February 2017, Cabinet approved the strategy of maintaining the General Fund Working Balance at £2.5m. It has therefore been recommended that the surplus of £1.158m is transferred to earmarked reserves as follows:

- Management of Change Reserve – increase the reserve by £450k. The Council's MTFs demonstrates that the Council still faces significant savings targets in the medium term. Achieving these targets whilst maintaining front-line services will require the Council to continue investing in new, more efficient ways of working that generate ongoing revenue savings. The Management of Change reserve supports the Council to meet the costs associated with these initiatives.
- Capital Development Reserve – increase the reserve by £500k. In pursuit of the revenue savings identified within the MTFs, the Council continues to explore initiatives capable of generating revenue savings/income whilst simultaneously enhancing the borough for its residents. Examples of such initiatives are the creation of a Development Company to increase the supply of good quality housing across the borough; reviewing options for further development of leisure assets; the delivery of a multi-storey car park; and the delivery of further temporary accommodation premises to relieve housing pressures.

These are major capital projects which attract significant feasibility and design costs upfront, before giving a return on investment. It is recommended that a Capital Development reserve is created to contribute towards the financing of these costs.

- On Street Car Parking Reserve – increase by £208k. This reserve is used to fund the costs associated with parking initiatives put in place by the council to relieve pressure on parking across the borough. Based on average levels of expenditure over the last 5 years, an annual amount of £40k is required.