



**AGENDA ITEM:
SUMMARY**

Report for:	Cabinet
Date of meeting:	22 May 2018
PART:	Part I
If Part II, reason:	n/a

Title of report:	Provisional Outturn 2017/18
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>Authors: Nigel Howcutt, Assistant Director (Finance & Resources) Fiona Jump, Group Manager (Financial Services)</p> <p>Contact: James Deane, Corporate Director (Finance & Operations)</p>
Purpose of report:	<p>To provide details of the provisional outturn position for the:</p> <ul style="list-style-type: none"> · General Fund · Housing Revenue Account · Capital Programme <p>To provide details of the proposed transfers to and from earmarked reserves.</p>
Recommendations	<p>It is recommended that Cabinet consider the Provisional Outturn Report and:</p> <ol style="list-style-type: none"> 1. Recommend the carry forward of unspent reserve funded budgets from 2017/18 to 2018/19 (see Appendix D, £315k slippage into 2018/19) 2. Recommend use of the Housing Revenue Account surplus to fund an increased Revenue Contribution to Capital

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>S.151 Officer</p> <p>This is a S.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>MTFS – Medium Term Financial Strategy</p>

1. Executive Summary

- 1.1 The year end financial outturn is a surplus on the general fund budget of **£89k**, as detailed in paragraph 2.5. This is a much reduced surplus compared to previous years, (2016/17 £1.1m; 2015/16 £400k). This demonstrates that the Council's budget has been accurately set and that savings previously identified have now been correctly captured in the base budgets, and delivered in year.
- 1.2 This year's surplus has been analysed as part of the normal year end process, to ensure that one off items have been challenged and any new savings have been identified and will be captured in the base budget going forward.
- 1.3 The HRA has seen an operating underspend of £988k, which reduces to **£282k** after technical adjustments for increased depreciation and interest charges.
- 1.4 The underspend is as a result of increased income in Dwelling Rents and Leaseholder service charges, underspends in premises expenditure and vacancies across various services, (see Section 8).

- 1.5 General Fund Capital budgets have seen slippage of 34%, which can be attributed to a relatively low number of high value schemes.
- 1.6 The HRA Capital programme is consistent with previous reports with the main item being slippage on Planned Fixed expenditure of £3.8m. £2.6m of this has been re-allocated across future years within the HRA 5 year programme in order to provide a more consistent workload over the period. The remaining £1.2m has been deliberately retained in order to fund fire safety upgrade work which will take place once the necessary risk assessments have been completed.

2. Introduction

- 2.1 The purpose of this report is to outline the Provisional Outturn for 2017/18, prior to the closure of the accounts. Outturn is reported for the following:
- General Fund
 - Housing Revenue Account (HRA)
 - Capital Programme
- 2.2 From financial year 2017/18, the Accounts and Audit Regulations require local authorities to have prepared their annual Statement of Accounts, complete with certification from the Section 151 Officer, by 30 May, one month earlier than in previous years. The Statement of Accounts must be published by 31 July, 2 months earlier than in previous years, following an audit to be undertaken by Grant Thornton.
- 2.3 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 may be subject to further amendment as work continues on the preparation of the Accounts. The final outturn position, along with movements in reserves, will be reported to Audit Committee for sign off at its meeting of 25 July 2018.

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 8).
- 3.2 The revised budget is the original budget approved by Cabinet in February 2017, plus the following approved amendments:

Amendments	Budget	Amendments
2017/18 Original budget - cost of services	20,968	£'000s
Funding to support creation of Development Company		200
Legal costs Regulatory Services		95
Brownfield Register employees costs		60
Increased budget recharged to HRA		44
Parking new CPZs		39
Health and Safety compliance		75
2017/18 Revised Budget - cost of services	21,481	

3.3 Appendix A provides an overview of the General Fund provisional outturn position, and the table below provides an overview by Scrutiny area.

	Revised Budget £000	Provisional Outturn £000	Variance	
			£000	%
Finance & Resources	11,476	11,287	(189)	-1.6%
Strategic Planning & Environment	8,261	8,186	(75)	-0.9%
Housing & Community	1,744	1,605	(139)	-8.0%
Total Cost of Services	21,481	21,078	(403)	-1.9%
Investment Property	(3,736)	(3,778)	(42)	1.1%
Corporate items	(16,651)	(16,702)	(51)	0.3%
Earmarked Reserve movements	(1,095)	(687)	408	-37.3%
Contribution (to)/from General Fund Working Balance	(1)	(89)	(88)	

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

4. Finance and Resources

Finance & Resources	Revised Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	10,035	10,021	(14)	-0.1%
Premises	2,041	2,061	20	1.0%
Transport	215	219	4	1.9%
Supplies & Services	4,031	3,965	(66)	-1.6%
Third-Parties	533	497	(36)	-6.8%
Transfer Payments	47,144	47,144	0	0.0%
Income	(4,939)	(5,033)	(94)	1.9%
Other Income	(47,584)	(47,587)	(3)	0.0%
	11,476	11,287	(189)	-1.6%

4.1 Employees £14k under budget

A pressure of £80k has arisen in the Revenues and Benefits service. Vacancies in the service are being offset by offsite processing costs to maintain performance. This pressure is being offset by increased new burdens funding as detailed in paragraph 7.

In Financial Services a pressure of £85k has arisen due to a short term requirement for external professional services to support the production of the Statement of Accounts following the departure of two key members of staff.

These pressures are being offset by vacancies during the year in the ICT, Corporate Administration and Legal services that are being reviewed as part of the outturn review.

4.2 Income £94k over-achievement of income

There is an over-achievement of income of £170k in car parking income due to an increased volume of customers using the Council owned car parks and the relatively good weather with limited disruption from snow.

An under-achievement of income of £70k has been experienced in the Revenues service due to a reduction in court summons fees recovered. This is because fewer summonses have been raised as more cases have been resolved without recourse to legal action.

5. Strategic Planning and Environment

Strategic Planning and Environment	Revised Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	9,366	9,402	36	0.4%
Premises	962	1,042	80	8.3%
Transport	1,288	1,288	0	0.0%
Supplies & Services	2,066	2,136	70	3.4%
Third-Parties	80	83	3	3.8%
Income	(5,501)	(5,765)	(264)	-4.8%
	8,261	8,186	(75)	-0.9%

5.1 Employees - £36k over budget

A pressure of £150k has been experienced in Building and Development Control due to an ongoing requirement for temporary resource. A shortage of professional skills across the sector has led to continuing recruitment and retention issues. A review of the delivery of this service is underway with a view to improving processes and making efficiencies going forward.

This is offset by savings of £120k in the Clean, Safe and Green service where performance has been maintained despite recruitment difficulties.

5.2 Income - £264k over-achievement of budget

Planning income has generated an additional £240k of income due to a high volume of planning applications and the national price review implemented in January 2018. This has been incorporated into the base budget for 2018/19.

In Waste Services an additional £190k of income has been generated as a result of an incentive payment from Hertfordshire County Council (HCC) known as the Alternative Financial Model (AFM). This payment rewards Dacorum for improvements in the rate of recycling as a result of the co-mingled waste service.

An income reduction of £125k has been experienced in the Commercial Waste service due to an ongoing loss of customers. This is a trend that has been seen over the last 2 financial years. An external review of all elements of the Waste Service, and opportunities for increased income, is currently underway and will be considered as part of future years' budget setting once complete.

An under-achievement of £90k has been experienced in Building Control due to a reduction in the volume of work being dealt with by the council.

6. Housing and Community

Housing & Community	Revised Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	3,214	3,155	(59)	-1.8%
Premises	789	809	20	2.5%
Transport	17	11	(6)	-35.3%
Supplies & Services	1,870	1,929	59	3.2%
Third Parties	245	232	(13)	-5.3%
Income	(4,391)	(4,531)	(140)	3.2%
	1,744	1,605	(139)	-8.0%

6.1 Income - £140k overachievement of income

Additional income of £135k has been generated from Temporary Accommodation as a result of the high demand in the borough. The Council's own properties are being used to house tenants on a temporary basis rather than more expensive bed and breakfast accommodation. This income has been built into the base budget for 2018/19.

7. Corporate Items

7.1 Appendix A includes the provisional outturn for corporate items. 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 detailed below:

A surplus of £211k is reported for grant income due to additional new burdens grants. Included in these is £75k of funding towards the cost of meeting welfare reforms and benefit cap changes. The work involved with these reforms has been carried out by the Revenues and Benefits service. £51k of this grant funding has been transferred to reserves to fund future expenditure in the Homelessness service.

A deficit of £101k is reported on Interest Receipts due to low levels of interest rates over a sustained period since the Bank of England's reduction in base rate in 2016/17.

8. Housing Revenue Account (HRA)

8.1 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.

8.2 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.

8.3 Dwelling Rents - £355k over-achievement of income

A surplus in Dwelling Rent income has been achieved due to a 40% reduction in Right to Buy sales from the previous year (down to 55 from 93 the previous year). In addition, a surplus has been generated due to a number of new tenancies beginning at target rent.

8.4 Non-Dwelling Rents - £152k over-achievement of income

New leases on telecommunications aerials around the borough have generated an additional £152k of income.

8.5 Tenants' Charges - £136k under-achievement of income

Income from the de-pooling of rent and service charges has not been as high as projected. Additional review of these income projections is being carried out as part of year end analysis and 2018/19 budget setting.

8.6 Contribution towards Expenditure - £285k over-achievement of income

The planned repairs work in 2017/18 included a larger proportion of works that are chargeable to leaseholders. This increased proportion of chargeable works resulted in an over-achievement of income. In 2018/19 an improved monitoring process is being implemented.

There is a surplus on the budget for minor capital receipts of £100k for work carried out by the Estates and Legal teams, such as deed of variation and lifting of restrictive covenants on Right to Buy properties.

8.7 Repairs and Maintenance - £92k under budget

Although the budget for repairs and maintenance is reporting a small underspend of £92k overall, there are various factors within this, which are as follows:

Osborne's Planned Work – there is an underspend in this area of £400k, which was a deliberate underspend in order to manage the pressure in responsive work, which by its nature is volatile.

Osborne's Responsive Work – these budgets have seen an overspend of £280k, due to a combination of factors including severe winter pressures in the final quarter of the year, additional requirements for asbestos surveys and removals following a corporate review of health and safety policies, and pressure to carry out Aids and Adaptations work, which is a demand led service with referrals from external Occupational Therapists. Significant improvements have been seen in the management of voids costs, which has kept these costs under control.

Osborne Overheads – an overspend of £425k has been seen due to an increase in the Osborne pension liability for staff that transferred to Osborne under TUPE. The increased charge is as a result of changes to pension regulations to consolidate bonus payments into pensionable pay.

Other Repairs – an underspend of £375k has been seen in non-Osborne budgets. The gas monitoring contract delivered a saving in the region of £200k due to

increased efficiencies in the operation of the contract and the prioritisation of the ongoing fire risk assessment works resulted in an underspend. Additional specialist contractors have been procured to ensure all outstanding work is completed. This work remains a high priority and is fully budgeted for in 2018/19.

8.8 Supervision & Management - £329k under budget

Underspends have arisen in the following areas:

There is an underspend of £170k on premises expenditure in Supported Housing, relating to building maintenance and utilities. This is an ongoing saving which has been captured in the base budget for 2018/19.

£180k underspend in the Tenants and Leaseholders section, across the Policy and Management service and the Supporting People service from vacancies over the course of the financial year. This will be examined as part of the 2019/20 budget setting process to identify if the savings can be delivered on an ongoing basis.

The HRA Recharge is £90k underspent in 2017/18 as a result of decreases in the costs of uninsured losses and an increase in the fair proportion of centrally allocated HRA support costs.

These have been partially offset by pressures in the following areas:

£90k overspend in Tenants and Leaseholders service from increased legal costs due to an increase in the volume of legal cases as a direct result of the council's more stringent approach to damages to council housing stock. There has also been an increase in bank charges arising from the change in charging policy of Capita, from a flat fee to a percentage fee of the transaction.

£90k additional costs from feasibility work to establish viable new build sites. This is a key priority for the Council going forward, and growth has been factored into the budget for 2018/19 to facilitate this vital work.

8.9 Depreciation - £642k over budget

This increased charge is due to housing stock having increased in value and as a result, capital charges have also seen an increase.

8.10 Revenue Contribution to Capital - £282k over budget

An increase revenue contribution to capital is proposed to transfer the remaining surplus on the HRA to fund capital expenditure.

9. Capital Programme

9.1 Appendix C shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny area.

The current budget is the original budget approved by Cabinet in February 2017, plus approved amendments, including re-phasing of the slippage identified at Quarter 1 into 2018/19.

The 'Slippage' column refers to projects where expenditure is still expected to be incurred, but it will now be in 2018/19 rather than 2017/18.

The 'Variance' column refers to projects which are now complete, but have come in under or over budget and projects which are no longer required.

	Current Budget £000	Slippage £000	Revised Budget £000	Provisional Outturn £000	Variance	
					£000	%
Finance & Resources	5,065	(2,749)	2,316	2,464	148	2.9%
Strategic Planning & Environment	3,545	(1,226)	2,319	2,208	(111)	-3.1%
Housing & Community	6,595	(1,173)	5,422	4,324	(1,098)	-16.6%
G F Total	15,205	(5,148)	10,057	8,996	(1,061)	-7.0%
HRA Total	34,028	(9,438)	24,590	24,590	0	0.0%
Grand Total	49,233	(14,586)	34,647	33,586	(1,061)	-2.2%

9.2 General Fund Major Variances

The net underspend of £1,061k includes:

- £185k expenditure on the Forum, due to additional works carried out in 2017/18, such as access controls, fixtures and fittings and internal modifications. This represents less than 1% on the total Forum budget of £20.4m.
- Underspend of £1.11m on Affordable Housing Development Fund. This budget is for the grant of Right to Buy receipts known as 1-4-1 receipts to Housing Associations. The full budget was not required in year, and there are plans to grant the remainder in 2018/19.

The slippage to future years is detailed in Appendix C. This includes:

- Slippage of £1.04m on the Demolition of the Civic Centre. Further to award of the tender for demolition of the Civic Centre in September 2017, work has been delayed due to:
 - The initial asbestos survey identifying the need to safely remove a large amount of asbestos from the site prior to demolition.
 - A requirement to comply with UK Power Networks and Affinity Water requirements for them to survey the two substations and the water plant on site prior to commencing demolition.

- Slippage of £485k on Berkhamsted Multi-Storey Car Park. Due to the complexities in the procurement, additional liaison with construction bidders was required in order for compliant bids to be submitted for this project. This led to an unavoidable delay in the awarding of the contract for the construction of the car park.
- Slippage of £217k on Future Vision of CRM. Following an unsuccessful attempt to employ a temporary developer to project manage the implementation of this project, a decision has been made to undertake the preparatory work in house and then to employ a developer for the programming element. This has had the effect of delaying the bulk of the expenditure into 2018/19.
- Slippage of £1.125m on Affordable Housing Development fund. Grant of 1-4-1 receipts which was expected in 2017/18 will now take place in 2018/19.
- Slippage of £455k on the planned refurbishment of Tring Swimming Pool. The implementation of this project has been delayed by ongoing discussions with Tring School regarding the future management arrangements for the leisure site. These discussions have now progressed and an agreement is expected to be completed shortly, with the refurbishment work expected to begin in early 2018/19.

There is an additional £1.8m of slippage across various projects as detailed in Appendix C.

9.3 There is slippage on the HRA capital programme of £9.4m.

Slippage of £3.8m on Planned Fixed Expenditure (DBC Commissioned Capital Works). This is due to the re-profiling of budget priorities in 2017/18 to have a more consistent capital workload in the medium term and to ensure a deliverable programme of works. In addition budgets have been re-prioritised in year to safeguard ongoing compliance works following the Grenfell Tower tragedy.

- Slippage of £4m on New Build General Expenditure budget which is allocated for the purchase of land in order to respond to market opportunities. This will now be required in 2018/19.
- Accelerated spend of £1.27m on Kylna Court (previously known as Wood House). As part of the re-phasing of the budget which took place at Q1, £2.38m was re-profiled into 2018/19. Due to the good progress made on site, £1.27m will in fact be required in 2017/18.
- Slippage of £2.19m on Stationers Place. Although budget of £2.7m was re-profiled into 2018/19 at Q1, a further £2.19m is now expected to be incurred later than expected. This is due to ongoing issues which are being worked through, concerning existing utilities, bore holes, culvert repairs, aquifer layers, foul drainage connections and rights of way.

10. Balances and Reserves

- 10.1 The Reserves Summary at Appendix D reflects the movements approved by Council in February 2018 and updated for the reserve movements as set out below.
- 10.2 In cases where reserves were to be drawn down in 2017/18 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down. Where the balance is now required in 2018/19, the carry forward of unspent reserve budgets is recommended.
- 10.3 Variances over £50k on recommended reserve movements compared to the original budget and additional movements approved in year are as follows:
- Capital Development Reserve - £165k reduced drawdown. A drawdown of £200k was budgeted to fund the costs associated with setting up a Development Company. This will be drawn down in 2018/19 with £100k already committed.
 - Dacorum Development Reserve - £50k reduced drawdown. A drawdown of £54k was budgeted to fund the cost of the Dacorum Ambassadors scheme in 2017/18. In total a contribution of £120k was approved over a 3 year period to fund the scheme as it works towards being self-funding. The budgeted contribution for 2017/18 was not fully required due to income from the scheme offsetting the majority of costs.
 - Dacorum Development Reserve – increased drawdown of £50k. A drawdown of £50k was approved as part of the 2018/19 budget setting process towards health and safety and improvement works at Leys Road homeless hostel. Due to the urgent nature of the works, this was spent in 2017/18 rather than in 2018/19 as originally intended. This will be offset in 2018/19 by a reduced draw down.
 - Earmarked Grants Reserve - £51k contribution to reserve. A grant of £51k was received during 2017/18 for the purposes of preventing homelessness in relation to the new Homelessness Reduction Act. This grant has been set aside to be spent in 2018/19.
- 10.4 Appendix A shows that after the above reserve movements are made there is a surplus on the 17/18 general fund outturn of £89k As part of the production of the final 2017/18 financial statements a recommendation of the treatment of these funds will be made.