



Report for:	Cabinet
Date of meeting:	21 May 2019
PART:	Part I
If Part II, reason:	n/a

Title of report:	Provisional Financial Outturn 2018/19
Contact:	Portfolio Holder for Finance and Resources: TBC Author: Nigel Howcutt, Assistant Director (Finance & Resources) Contact: James Deane, Corporate Director (Finance & Operations)
Purpose of report:	To provide details of the outturn position for the: <ul style="list-style-type: none">· General Fund· Housing Revenue Account· Capital Programme To provide details of the proposed transfers to and from earmarked reserves.
Recommendations	It is recommended that Cabinet consider the Outturn Report and: <ol style="list-style-type: none">1. Approve movements on earmarked reserves as set out in section 10.2. Review and approve the capital slippage into financial year 2019/20 as set out in Appendix C
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	Monitoring Officer No further comments to add. Deputy S.151 Officer This is a Deputy S.151 Officer report.
Consultees:	Budget Managers
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 provisional year-end financial outturn is showing a balanced budget on the General Fund, as shown in paragraph 3.2. There are variances across different service areas as highlighted in sections 4 to 6, but the overall budget is showing a balance position. This is in contrast to previous years' surpluses and reflects the challenging financial environment relating to the cumulative impact of year on year additional savings requirements.
- 1.2 This year's outturn position has been analysed as part of the normal year-end review, to ensure that any one-off items have been challenged and any new savings have been identified and will be captured in the base budgets going forward.
- 1.3 The HRA has seen an operating underspend of £235k, after technical adjustments to bad debt provision and depreciation the revenue contribution to capital has been reduced by £546k; the details are presented in Appendix B and section 8.
- 1.4 General Fund Capital budgets have seen slippage of £4m which is 23%, predominantly as a result of £2.1m slippage in Housing Association RTB funded Affordable Housing Developments and slippage in the Berkhamsted Multi-Storey car park project, £1.15m. More detail is provided in Section 9 of this report.
- 1.5 The HRA Capital programme is consistent with previous reports with the main item being slippage on Planned Fixed Expenditure of £0.9m. This has been retained in order to fund planned work in 2019/20.

2. Introduction

2.1 The purpose of this report is to outline the Provisional Outturn for 2018/19, prior to the production of the Statement of Accounts. Outturn is reported for the following:

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

2.2 The Council's outturn position is a primary source of information for the production of the Statement of Accounts. The 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 18th July 2019.

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

	Budget £000	Outturn £000	Variance £000	%
Finance & Resources	13,359	13,619	260	1.9%
Strategic Planning & Environment	7,718	8,374	656	8.5%
Housing & Community	361	194	(167)	-46.3%
Net Cost of Services	21,438	22,187	749	3.5%
Investment Property	(4,103)	(4,090)	13	-0.3%
Corporate items	(17,342)	(18,104)	(762)	4.4%
Contribution (to)/from General Fund				
Working Balance	(7)	(7)	0	

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

4. Finance and Resources

Finance & Resources	Budget £000	Outturn £000	Variance	
			£000	%
Employees	10,054	10,112	58	0.6%
Premises	1,912	1,974	62	3.2%
Transport	215	204	(11)	-5.1%
Supplies & Services	3,968	3,882	(86)	-2.2%
Third-Parties	1,019	1,273	254	24.9%
Transfer Payments	47,144	46,359	(785)	-1.7%
Income	(4,691)	(4,810)	(119)	2.5%
Other Income	(47,584)	(46,859)	725	-1.5%
Earmarked Reserves	1,322	1,484	162	12.3%
	13,359	13,619	260	1.9%

4.1 Employees £58k over budget

In Financial Services a pressure of £80k has arisen due to requirements earlier in the financial year for external professional services to cover vacant posts to support the production of the Statement of Accounts; this requirement has been resolved in 2019/20 through successful recruitment to key technical positions.

A series of successful recruitment processes have been concluded in 2018/19 that have produced a pressure of £45k but have resulted in the recruitment to key management positions.

These pressures are being offset by an underspend of £70k in the Corporate Improvement and Innovation Team due to vacant posts which are due to be filled in the new financial year.

4.2 Supplies and Services £86k under budget

An underspend on Insurance budgets within Supplies and Services has been seen in year of £110k. This is due to the unpredictable nature of uninsured losses claims and hence can only be fully validated at year end.

There has been an underspend on the budget for Car Parking services of £90k relating to the implementation of the new car parking contract in 2018. The new provider required time to implement the new parking contract, systems and processes and this resulted in the supplier receiving lower than budgeted payments, as the year has progressed the service has achieved a fully staffed and operational service.

These underspends are offset by pressures in Supplies and Services relating to the procurement of external Benefits Subsidy Support of £70k, insurance premium increases that are offset by insurance recharges (See para 4.4) and other small variances.

4.3 Third Parties £254k over budget

An expected pressure of £196k has arisen on the costs relating to the first year implementation of the new leisure contract which began in this financial year. Initial set-up costs are necessary in order to establish the contract, which will generate revenue savings for the Council in future years. These one-off costs have been funded from a drawdown from the Management of Change reserve.

There has been a one off pressure of £100k on Facilities Management costs for The Forum relating to additional improvements and changes to the building such as pigeon proofing on the roof, that were completed in the first full financial year of occupancy.

There are various minor underspends reducing the overall pressure to £254k.

4.4 Income £119k overachievement of income

There is an over-achievement of income of £70k relating to Insurance premiums received that is offset by the additional cost of procuring building insurance premiums.

Additional income of £80k has been received by the Legal department relating to legal fees recovered. This is a continuing trend of increased fee recovery achieved in 2017/18 and has been accounted for in the 2019/20 base budget.

5. Strategic Planning and Environment

Strategic Planning and Environment	Budget £000	Outturn £000	Variance	
			£000	%
Employees	9,778	10,016	238	2.4%
Premises	909	1,020	111	12.2%
Transport	1,201	1,428	227	18.9%
Supplies & Services	1,970	2,772	802	40.7%
Third-Parties	88	73	(15)	-17.0%
Income	(5,918)	(6,565)	(647)	-10.9%
Earmarked Reserves	(310)	(370)	(60)	-19.4%
	7,718	8,374	656	8.5%

5.1 Employees - £238k over budget

A pressure of £130k has been experienced in Building 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. Options for the future delivery of the service within approved budgets are being progressed.

There are a number of minor overspends on employees across these service areas that equate to less than 1% of the employee budgets.

5.2 Premises - £111k over budget

This variance consists of minor pressures across services largely offset by income below.

5.3 Transport - £227k over budget

There is a pressure of £290k in Environmental Services from the cost of maintaining the ageing waste fleet prior to conclusion of the current procurement process. The tender for the new vehicle provider has now been awarded and new vehicles are on order to be delivered in 2019/20.

This pressure is offset by savings in the fuel budgets of Clean, Safe and Green of £50k due to improved working patterns.

5.4 Supplies and Services - £802k over budget

A variance of £490k has arisen in the Waste service from the disposal of commingled waste. The downturn in the global market for recycled material is leading to a cost for disposal of material, which is affecting all Waste Disposal Authorities. This is an ongoing pressure which has been factored into the budget for 2019/20.

The Planning service has incurred £170k of costs funded from Planning Delivery Fund grants from MHCLG. This is giving rise to a pressure in Supplies and Services, but offsetting income shown in paragraph 5.5 below.

Legal costs of £150k have been incurred in the Environmental and Community Protection service, relating to 2 legal cases taking place currently. These costs have been recovered, as shown in the over-achievement of income in paragraph 5.5.

5.5 Income - £647k over-achievement of income

Planning income has generated an additional £395k of income due to a high volume of planning applications and significant large one-off fees received in year.

The administration income from the Community Infrastructure Levy (CIL) has generated income over the budgeted level of £126k. This income is being utilised to support the costs of administering the CIL scheme and collecting the income due.

An income reduction of £180k has been experienced in the Commercial Waste service due to an ongoing loss of customers. 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 £80k has been seen in the income budget for Land Charges. This is due to an overall decline in the property market leading to fewer

searches and transactions, which is affecting the private sector as well as the Council.

An under-achievement of £50k has been experienced in Building Control due to a reduction in the volume of work being dealt with by the Council in the first half of 2018/19 since then the service has increased the volume of clients it is dealing with and hence seen an increase in income.

Additional Planning Delivery Grant of £170k has been received as well as legal fees recovered of £180k.

6. Housing and Community

Housing & Community	Budget £000	Outturn £000	Variance	
			£000	%
Employees	3,792	3,846	54	1.4%
Premises	944	637	(307)	-32.5%
Transport	17	14	(3)	-17.6%
Supplies & Services	1,303	1,253	(50)	-3.8%
Third Parties	0	16	16	0.0%
Income	(4,994)	(5,048)	(54)	1.1%
Earmarked Reserves	(701)	(524)	177	-25.2%
	361	194	(167)	-46.3%

6.1 Premises - £307k under budget

An underspend of £250k has occurred in the garages service, as the budget for repairs and maintenance has not been spent in full this year, awaiting the outcome of a full stock condition survey across the Borough.

6.2 Income - £54k overachievement

Within this category, there is an under-achievement of income on Garages of £350k. A full review of the garage service is underway.

Additional income of £240k 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.

There are other minor over-achievements of income across services, including an additional £32k for HMO licences (Housing Multiple Occupancy), which are budgeted for in 2019/20.

7. Corporate Items

- 7.1 Appendix A includes the outturn for corporate items. These are largely year-end accounting adjustments:

At year end £336k of new burdens grants have been received in 2018/19. Included in this is £78k of funding relating to the Revenues and Benefits service to cover the additional costs incurred in the delayed UC roll out, £68k of new burdens funding relating to the Strategic Planning service, and £64k in Homelessness Reduction funding. New Homes Bonus is also £24k over the budgeted amount.

Interest income has exceeded budget by £282k. Cash balances have exceeded expectation in 2018/19 assisted by slippage in the capital programme. The GF apportionment of additional income was greater than previously anticipated.

The Minimum Revenue Provision, which is a statutory adjustment to pay off accumulated capital spend, is £140k lower than budgeted. This is as a result of a combination of reduced capital spend against budget and a technical review of accounting treatment.

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 - £141k under budget

The variance on dwelling rents is due to the void rate in the first 6 months of the year running at 1%, which was higher than the anticipated 0.8%. This has given rise to a variance of approximately £60k. The balance is due to change in the number of new build properties being let from assumptions used at budget setting time, partially offset by lower number of right to buy sales (55 expected, 29 actual).

8.4 Tenants' Charges - £148k over-achievement of income

The variance in this area is due to 2 main factors; firstly income from recovery of service charges has been higher than anticipated (£110k) and secondly a grant from Hertfordshire County Council was received for Housing Related Support which was expected to have ceased (£56k).

8.5 Provision for Bad Debts - £394k under budget

An increase of £400k was factored into the budget for 2018/19 to allow for potential increases in rent arrears due to the roll-out of Universal Credit. As the roll out has not progressed as quickly as expected, the full budget has not been required. This reduction has been allocated to the revenue contribution to capital.

8.6 Depreciation - £1.1m 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. The depreciation charge is allocated to the Major repairs reserve to fund future maintenance requirements on the HRA housing stock.

8.7 Revenue Contribution to Capital - £550k under budget

The impact of the additional depreciation charge and the reduced bad debt requirements is a reduction in the revenue contribution to capital.

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 2018, plus approved amendments, including re-phasing of the slippage identified in previous quarters into 2019/20.

The 'Slippage' column refers to projects where expenditure is still expected to be incurred, but it will now be in 2019/20 rather than 2018/19.

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	7,419	(1,851)	5,568	5,489	(79)	-1.1%
Strategic Planning & Environment	2,564	(32)	2,532	2,551	19	0.7%
Housing & Community	7,370	(2,097)	5,273	5,308	35	0.5%
G F Total	17,353	(3,980)	13,373	13,348	(25)	-0.1%
HRA Total	26,287	(1,542)	24,745	24,725	(20)	-0.1%
Grand Total	43,640	(5,522)	38,118	38,073	(45)	-0.1%

9.2 General Fund Major Variances

There is overall slippage of £4m on the General Fund. The repassing to future years includes:

- Line 30: slippage of £150k on Berkhamsted Sports centre – Building Management System. These works have been put on hold until the options appraisal for the leisure centre is complete.

- Line 31: slippage of £285k on Tring Swimming Pool refurbishment. This project has been completed in early 2019/20.
- Line 33: slippage of £1.15m on Berkhamsted Multi-Storey Car Park. The construction programme has been delayed as utilities diversion works have not been carried out as planned, in particular Cadent Gas delayed commencing their work, causing a 12 week delay to the programme.
- Line 47: accelerated spend of £106k on Verge Hardening Programme. The scheme has moved more quickly than anticipated, completing a total of 16 schemes in year.
- Line 51: slippage of £2.1m on Affordable Housing Development Fund. This budget is for the payments of grants to Housing Associations. The variance is due to timing on payments of the grants, which will now take place in 2019/20.

Within the overall net underspend of £25k, there is an overspend as follows:

- Line 45: unbudgeted spend of £134k on The Forum. Essential upgrade works to the door entry system and the roof were required in year.

9.3 There is slippage of £1.5m on the HRA capital programme.

- Line 78: slippage of £935k on DBC Commissioned Capital Works. £465k relates to the gain share element on the Osborne contract, which could not be reliably projected as this is performance and saving based. In addition there was an underspend in the Gas and Heating capital budget due to a relatively mild winter, combined with correctly targeted investment/boiler replacement in first 3 quarters, which resulted in a reduced need for boiler replacement in Quarter 4. This was also combined with a gain share that was not practical to reinvest in final quarter.

In addition the capital programme includes a proportion of projects with leaseholder impact and subsequent service charge recovery. This work will now take place in 2019/20 once the necessary leaseholder consultation has been carried out.

- Line 81: additional spend of £239k on Martindale against what was forecast at Quarter 3. A mild winter during Quarter 4 has meant that progress has been faster than anticipated once start on site was achieved.
- Line 83: slippage of £500k on Stationers Place. The start on site has been delayed due to protracted discussions with Herts County to agree site access.

The nature of large capital build projects is that there is often some slippage on projects due to the volume of differing variables involved. The finance team have worked closely with project leads to re-profile the 2019-23 capital programme with the expectation that capital spend will be aligned with budget expectations.

10. Balances and Reserves

- 10.1 The Reserves Summary at Appendix D reflects the movements approved by Council in February 2019 and updated for the reserve movements as set out below.
- 10.2 In cases where reserves were to be drawn down in 2018/19 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 2019/20, 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:
 - Earmarked Grants Reserve - £64k contribution to reserves of additional grant income received relating to Homelessness prevention. This grant has been set aside to be spent in 2019/20.
- 10.4 It is recommended that Cabinet recommend to Council the following additional reserves movements arising from the provisional year-end position, and delegate approval to the Audit Committee for any changes to these movements as a result of the final outturn position following completion of the external audit:
 - Management of Change Reserve – net £125k contribution to reserve. A contribution to the Management of Change Reserve is recommended which is the net effect of £345k draw down from reserves to fund the expected one-off costs associated with the implementation of the leisure contract, offset by a contribution of £470k from various year end technical adjustments detailed in section 7.
 - Local Development Framework (LDF) Reserve - £375k contribution to reserve to support the Hemel Garden Communities development.
 - Funding Equalisation Reserve - £2.8m contribution to reserve arising from a combination of timing differences in Collection fund Income (Council tax and Non-Domestic Rates) received or paid by the council and additional government grants received to fund the collection service.