



**AGENDA ITEM:
SUMMARY**

Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	5 June 2019
PART:	1
If Part II, reason:	

Title of report:	Provisional Financial Outturn 2018/19
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Assistant Director (Finance & Resources) Fiona Jump, Group Manager, Financial Services
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 <p>To provide details of the proposed transfers to and from earmarked reserves.</p>
Recommendations	That Committee note the outturn position for 2018/19.
Corporate objectives:	Delivering an efficient and modern council.
Implications:	<u>Financial</u> This reports outlines the financial position of the Council for 2018/19, and reports on the financial implications of service

	<p>decisions made in the financial year. Where relevant it discusses the future impact of these decisions.</p> <p><u>Value for Money</u> Regular budget monitoring and reporting supports the effective use of the financial resources available to the Council.</p>
Risk Implications	This reports outlines the financial position for the Council for 2018/19 and quantifies the financial risk associated with service decisions.
Community Impact Assessment	The content of this report does not require a Community Impact Assessment to be undertaken.
Health And Safety Implications	There are no Health and Safety implications arising from this report.
Consultees	The position reported within this report has been reviewed and discussed with relevant Council Officers.
Glossary of acronyms and any other abbreviations used in this report:	<p>GF – General Fund HRA – Housing Revenue Account</p>

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 section 4, but the overall budget is showing a balanced 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 6.
- 1.4 Housing and Community General Fund Capital budgets have seen slippage of £2m, predominantly as a result of £2.1m slippage in Housing Association Right To Buy funded Affordable Housing Developments. More detail is provided in Section 7 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 6).

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 section provides an analysis of the provisional outturn and major budget variances for Housing and Community Scrutiny area.

4. 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%

4.1 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.

4.2 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.

5. Corporate Items

5.1 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 Universal Credit 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.

6. Housing Revenue Account (HRA)

6.1 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.

6.2 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.

6.3 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).

6.4 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).

6.5 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.

6.6 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.

6.7 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.

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 for Housing and Community 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	Slippage	Revised Budget	Provisional Outturn	Variance	
	£000	£000	£000	£000	£000	%
Housing & Community	7,370	(2,097)	5,273	5,308	35	0.5%
G F Total	7,370	(2,097)	5,273	5,308	35	0.5%
HRA Total	26,287	(1,542)	24,745	24,725	(20)	-0.1%
Grand Total	33,657	(3,639)	30,018	30,033	15	0.0%

7.2 General Fund Major Variances

There is overall slippage of £2.1m on the General Fund. The rephasing to future years includes:

- Line 1: 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 5: 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.

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

- Line 14: 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 17: 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 19: 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.

8. Balances and Reserves

8.1 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.

8.2 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.

8.3 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.

8.4 It has been 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 5.
- 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.