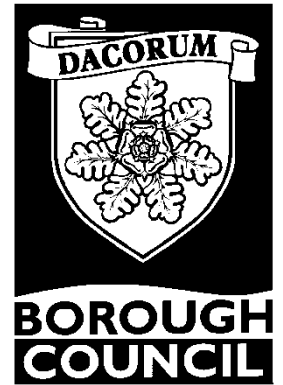


AGENDA ITEM:

SUMMARY



| | |
|---------------------|-----------------|
| Report for: | AUDIT COMMITTEE |
| Date of meeting: | 18 July 2019 |
| PART: | I |
| If Part II, reason: | |

| | |
|-----------------------------|--|
| Title of report: | Final Outturn 2018/19 |
| Contact: | Cllr Graeme Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance and Operations) Nigel Howcutt, Assistant Director (Finance and Resources) |
| Purpose of report: | The purpose of this report is to present the Council's final outturn for 2018/19. |
| Recommendations: | It is recommended that Members of the Audit Committee: a) review the final financial outturn for 2018/19 (Appendices A and B); b) approve a contribution to the Management of Change reserve of £22k, as set out at 6.5 and; c) review the capital slippage for 2018/19 (Appendix C). |
| Corporate objectives: | Delivering an efficient and modern council. |
| Statutory Officer Comments: | Section 151 Officer: My comments are included within the body of this report and within the commentary and explanatory foreword to the Statement of Accounts. Monitoring Officer: No further comments to add. |
| Consultees: | None |
| Background papers: | Provisional Outturn 2018/19 Cabinet 21 May 2018/19 Agenda item 7 |

1. Background

1.1 The purpose of this report is to present the final outturn for 2018/19.

2. Executive summary

2.1 The provisional outturn for 2018/19 was presented to Cabinet on 21 May 2019 and reported a balanced budget position for both the General Fund and Housing Revenue Account. The position incorporated reserve movements which were recommended for approval by Council at the meeting. The Capital programme provisional outturn position reported slippage of £5.5m against budget and an underspend variance of £45k (0.1% of budget).

2.2 The final outturn report for 2018/19 has been produced following the completion of the draft accounts publication and external audit process. The overall reported position for both the General Fund and Housing Revenue Account has not changed from the provisional outturn. Appendices A, B and C provide more detail on the General Fund, Housing Revenue Account and Capital position for 2018/19.

3. General Fund Revenue Outturn

3.1 Appendix A shows the final outturn position on the General Revenue Fund. This is summarised in the table below:

| Scrutiny Committee Area | Current Budget | Outturn | Variance | Variance |
|--|----------------|---------------|------------|-------------|
| | £000 | £000 | £000 | % |
| Finance and Resources | 13,366 | 13,600 | 234 | 1.7% |
| Housing and Community | 361 | 192 | (169) | (46.8%) |
| Strategic Planning and Environment | 7,717 | 8,359 | 642 | 8.3% |
| Net cost of services | 21,444 | 22,151 | 707 | 3.3% |
| Non- controllable budgets | (17,331) | (18,035) | (704) | 4.1% |
| Surplus or deficit on provision of services | 4,113 | 4,115 | 2 | 0.1% |
| Recharge to HRA and reserve movements | (4,114) | (4,115) | (1) | 0.0% |
| Contribution (to)/ from General Fund Working Balance | (1) | 0 | 1 | 0.0% |

3.2 The overall General Fund Revenue position has changed between provisional and final outturn. Following minor adjustments in the finalisation of the outturn position, including some technical accounting adjustments, a further transfer to the Management of Change reserve of £22k is proposed. The impact of this reserve transfer is reflected in the table above.

3.3 Key variances to budget within the General Fund are unchanged between the provisional and final outturn. These include:

- Leisure contract- a pressure of £196k has arisen relating to the implementation of the new leisure contract, which began in this financial

year. 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.

- Building Control- a pressure £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.
- Waste Service- a pressure of £490k has arisen in the Waste service from the disposal of co-mingled 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.
- Commercial Waste income – a pressure 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.
- Planning - £395k of additional income has been generated due to a high volume of planning applications and significant large one-off fees received in year.
- Garages- there has been an underachievement of income on Garages of £350k. This has been partially offset by an underspend against repairs and maintenance within the service of £250k. A full review of the garage service is underway.
- Temporary Accommodation-additional income of £240k has been generated 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.
- New Burdens grants- 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.
- Interest income has exceeded budget by £282k. Cash balances have exceeded expectation in 2018/19, assisted by slippage in the capital programme. The General Fund apportionment of this 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.

4. Housing Revenue Account

- 4.1 The final outturn position is detailed at Appendix B to this report. The overall position for the Housing Revenue Account has not changed between the provisional and final outturn. Final outturn expenditure is £76k higher than reported at provisional outturn and is offset by a reduction in revenue contribution to capital. The difference reflects the finalisation of depreciation charges for the year and the transfer of relevant leaseholder contributions received to a reserve for the lift replacements. Key variances to budget within the Housing Revenue Account are detailed below.

Dwelling Rent and Tenants Charges- £141k under budget

- 4.2 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).

Tenants charges- £148k over-achievement of income

- 4.3 The variance in this area arises mainly from the recovery of service charges being higher than anticipated (£110k) and also from the receipt of a grant from Hertfordshire County Council for Housing Related Support which was expected to have ceased (£56k).

Provision for Bad Debts- £394k under budget

- 4.4 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.

Depreciation - £1.1m over budget

- 4.5 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.

Revenue Contributions to Capital - £622k under budget

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

5. Capital Programme

- 5.1 Appendix C shows the capital outturn in detail by scheme. The final capital outturn position is unchanged from the provisional position. The table below summarises the overall capital outturn position. 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 | % |
| 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% |
| GF 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% |

General Fund Major Variances

5.2 There is overall slippage of £4m on the General Fund. The rephasing 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 sixteen 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.

5.3 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.

Housing Revenue Account Capital

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

- 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 Hertfordshire County Council to agree site access.

5.5 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.

6. Balances and Reserves

6.1 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.

6.2 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 was recommended for Council approval by Cabinet on 21 May 2019.

6.3 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.

6.4 Cabinet recommended to Council to approve the following additional reserve movements on 21 May 2019 arising from year- end adjustments:

- 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 described in section 3.

- 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.

6.5 Following finalisation of the outturn position, it is recommended that Members recommend to Council to approve the following additional reserve movement:

- Management of Change Reserve – a £22k contribution to reserve following final adjustments to the year- end position. This will reduce the net draw down from this reserve made in 2018/19.

7. Conclusion

7.1 The final 2018/19 outturn position for the both the General Fund and Housing Revenue Account shows no overall change from the reported provisional outturn. Members are asked to recommend to Council an additional transfer to the Management of Change reserve of £22k following the finalisation of the General Fund position for 2018/19.