



## AGENDA ITEM: SUMMARY

<b>Report for:</b>	<b>Strategic Planning and Environment Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>16 June 2020</b>
<b>PART:</b>	<b>1</b>
<b>If Part II, reason:</b>	

<b>Title of report:</b>	<b>Provisional Financial Outturn 2019/20</b>
<b>Contact:</b>	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Assistant Director (Finance & Resources) James Deane, Corporate Director (Finance & Operations)
<b>Purpose of report:</b>	To provide details of the financial outturn position for the: <ul style="list-style-type: none"> <li>• General Fund</li> <li>• Capital Programme</li> </ul>
<b>Recommendations</b>	That Committee note the financial outturn for the Council for 2019/20.
<b>Corporate objectives:</b>	Delivering an efficient and modern council.
<b>Implications:</b>	<p><u>Financial</u> This report outlines the financial position for the Council for 2019/20 and so summarises the financial implications for service decisions for the financial year.</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>
<b>Risk Implications</b>	This reports outlines the financial position for the Council for 2019/20 and in so doing quantifies the financial risk associated with service decisions for the financial year.
<b>Community Impact Assessment</b>	The content of this report does not require a Community Impact Assessment to be undertaken.
<b>Health And Safety Implications</b>	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:	GF – General Fund HRA – Housing Revenue Account MRP – Minimum Revenue Provision

## 1. Executive Summary

- 1.1 The provisional year-end financial outturn is showing a balanced budget on the General Fund. There are variances across service areas, as per section 4, but the overall budget is showing a balanced position. It should be noted that the recharge to the HRA and Collection Fund adjustments are yet to be finalised, and the outturn position may be subject to change as a result of these.
- 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. In addition, ongoing pressures have been reviewed to ensure the budget for 2020/21 has been realigned to a suitable level.
- 1.3 Strategic Planning and Environment capital budgets have seen accelerated spend of £0.2m with an overspend also of £0.2m.

## 2. Introduction

- 2.1 The purpose of this report is to present the Council's Provisional Outturn for 2019/20, prior to the production of the Statement of Accounts. Outturn is reported for the following:
  - General Fund
  - 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 will 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 on 17 September 2020, subject to confirmation of this date at Full Council.

## 3. General Fund Revenue Account

- 3.1 The General Fund revenue account records the income and expenditure associated with all Council functions, except the management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA).
- 3.2 Appendix A provides an overview of the General Fund provisional outturn position.
- 3.3 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

<b>Table 1</b>	<b>Current Budget £000</b>	<b>Provisional Outturn £000</b>	<b>Variance</b>	
			<b>£000</b>	<b>%</b>
Finance & Resources	13,761	14,111	<b>350</b>	2.5%
Strategic Planning and Environment	10,005	10,877	<b>872</b>	8.7%
Housing & Community	1,620	1,700	<b>80</b>	4.9%
<b>Total</b>	<b>25,386</b>	<b>26,688</b>	<b>1,302</b>	5.1%
Investment Property	(4,317)	(4,325)	<b>(8)</b>	0.2%
Core Funding	(21,070)	(22,364)	<b>(1,294)</b>	6.1%
<b>Contribution (to)/ from General Fund Working Balance</b>	<b>(1)</b>	<b>(1)</b>	<b>0</b>	

### 3.4 Core Funding - £1,294k additional funding / reduction in expenditure

There is a combination of additional government grant income and a reduction in expenditure forecast, to yield a benefit of £1,294k against core funding budgets. These include:

- £491k expected surplus relating to retained growth in business rates. The final retained growth will be confirmed in the final outturn position.
- Increased new burdens funding of £258k across services. This funding is not ring-fenced for a specific use and has therefore been treated as core funding. The material items are £100k relating to the Revenues and Benefits service to support the implementation of welfare reform changes such as the migration from Housing Benefit to Universal Credit, and £69k relating to Private Sector Housing.
- £165k surplus relating to the Minimum Revenue Provision. The Minimum Revenue Provision (MRP) is a minimum amount which a Council must charge against its revenue budget each year for the financing of capital expenditure which has been initially funded by borrowing. The MRP is £165k lower than budgeted for 2019/20, resulting from below-budget capital expenditure in 2018/19.
- £279k surplus on Investment Income - General Fund Investment Income has exceeded budget as balances of cash reserves are higher than had been anticipated due to lower than budgeted capital expenditure in 2018/19 and the early part of 2019/20.
- £75k additional income from the HRA for work carried out such as void garden clearances.

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

#### 4. Strategic Planning and Environment

<b>Table 2 Strategic Planning and Environment</b>	<b>Current Budget £000</b>	<b>Provisional Outturn £000</b>	<b>Variance</b>	
			<b>£000</b>	<b>%</b>
Employees	10,437	10,965	528	5.1%
Premises	948	981	33	3.5%
Transport	1,187	1,361	174	14.7%
Supplies & Services	2,484	2,656	172	6.9%
Third-Parties	84	295	211	251.2%
Income	(6,164)	(6,035)	129	(2.1%)
Capital Charges	1,571	1,580	9	0.6%
Earmarked Reserves	(542)	(926)	(384)	70.8%
<b>Total</b>	<b>10,005</b>	<b>10,877</b>	<b>872</b>	<b>8.7%</b>

##### 4.1 Employees - £528k pressure against budget

Material pressures against employee budgets include:

- £130k in Waste Services. The aging waste fleet has led to increasing maintenance requirements, which in turn has necessitated the hiring of additional vehicles in order to maintain the service. Replacement split-bodied vehicles are not always available for hire, in which case separate rounds have been put on for the collection of co-mingled and food waste. This pressure should reduce over the next 12 months as new vehicles are on order and have started to arrive.
- £140k pressure in Clean, Safe and Green. The service has not overspent on staffing, rather efficient recruitment has enabled vacancies to be filled quickly leading to a pressure on the vacancy provision. Across the council as a whole a vacancy factor of 5% is set against employee budgets for all but those front-line services which must replace leavers immediately in order to maintain compliant services, i.e. Waste and Adventure Playgrounds. The vacancy provision of 5% reflects the savings made from the time taken to recruit to vacant posts.
- £60k additional staff and agency backfilling within Planning. The planning service have been successful in driving new business, particularly in the previous financial year, and this income was essentially funding in advance for specific key projects. Officers have had to be realigned to these key projects and additional short term agency staff have been recruited to backfill substantive posts. In addition the Planning software has been upgraded to provide a more efficient and effective service. Agency costs have been incurred to backfill staff involved in the project team.
- £75k of expenditure on the Hemel Garden Communities project. This will be funded from a drawdown from the Local Development Framework reserve as approved by Council on 18 September 2019 (see section 9).

#### **4.2 Transport - £174k pressure against budget**

- A pressure of £190k relates to the maintenance of ageing fleet vehicles in Waste Services, including additional short term hire costs and repair costs. At Council 17 July 2019, approval was granted to bring the repair and maintenance of vehicles and equipment back in house. This will mitigate the financial pressure in this area going forward.
- Waste Services fuel costs are above budget by £50k due to the need for some additional hire vehicles, as detailed in point 5.1.

#### **4.3 Supplies and Services - £172k pressure against budget**

- A pressure of £130k has arisen in the Planning service for professional fees, such as statutory advertising fees, legal fees and specific consultancy services to support planning applications. £80k of this relates to legal fees relating to the defense of appealed decisions. £54k of these costs can be funded from the Planning and Enforcement Appeals reserve (see section 9).

#### **4.4 Third Parties - £211k pressure against budget**

- Set up costs of £220k have arisen in Building Control to facilitate the transfer of the service to Hertfordshire Building Control. £200k of this will be met from the Invest to Save reserve, as approved by Council on 18 September 2019 (see section 9).

#### **4.5 Income - £129k pressure against budget**

- Pressure of £200k in the Commercial Waste service. Despite Commercial Waste making a contribution overall towards corporate recharges, income for the service has not met the budgeted target due to the ongoing effect of loss of customers. A full review of the service including marketing and charging structure has been carried out, and service improvements are underway. A reduction to the income budget of £200k has been built in to the 2020/21 budget. It should be noted that budget performance in 2020/21 will be affected by the impact of coronavirus.
- Pressure of £100k in the Planning service. A number of large one-off fees which had been anticipated for 2019/20 will now be incurred in 2020/21.
- £130k of S106 income has been applied where applicable expenditure has taken place which meets the criteria of S106 agreements.
- There are a number of other areas where income has exceeded the budget, but this is offset by additional expenditure, as per paragraph 5.1.

### **5. Capital Programme**

#### **5.1 Appendix B shows the projected capital outturn in detail by scheme.**

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

The current budget is the original budget approved by Cabinet in February 2019, plus approved amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred, but will now be in 2020/21 rather than 2019/20 ('slippage'), or conversely, where expenditure planned initially for 2020/21 has been incurred in 2019/20 ('accelerated spend').

The 'Variance' column refers to projects which are expected to come in under or over budget and projects which are no longer required.

Table 3	Current Budget £000	Rephasing £000	Revised Budget £000	Forecast Outturn £000	Variance	
					£000	%
Strategic Planning and Environment	3,671	200	3,871	4,063	191	5.21%

## 5.2 General Fund Major Variances

There is accelerated spend of £0.2m, and an overspend also of £0.2m.

The projected rephasing includes:

- Line 178: accelerated spend of £0.1m on Vehicle Replacement Programme – 3 vehicles for grounds maintenance and one refuse vehicle which had been planned for 2020/21 were sourced earlier than anticipated. This will improve service delivery and help to minimise hire costs.

The additional spend of £0.2m includes:

- Line 170: additional expenditure of £0.1m on Waste Services wheeled bins. New bins have an estimated useful life of greater than a year and have therefore been treated as capital expenditure.

## 6. Balances and Reserves

- 6.1 The Reserves Summary at Appendix C reflects the movements approved by Council in February 2020 and updated for the reserve movements as set out below.
- 6.2 In cases where reserves were to be drawn down in 2019/20 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 2020/21, the carry forward of unspent reserve budgets is recommended.
- 6.3 Variances over £50k on recommended reserve movements compared to the original budget and additional movements approved in year are as follows. This section includes approved reserve drawdowns where the amount was not finalised until the end of the financial year.

- Drawdown of £94k from Local Development Framework reserve to fund work on Hemel Garden Communities. Council approved use of the reserve on 18 September 2019 but the amount of expenditure was not known until year end.
  - Drawdown of £194k from Invest to Save reserve to fund costs of transfer to Herts Building Control. Council approved use of the reserve on 18 September 2019, but the amount of expenditure was not finalised until year end.
  - Drawdown of £54k from Planning Enforcement and Appeals reserve to fund legal costs in Planning, in line with approved use of the reserve.
  - Drawdown of £75k from Uninsured Losses reserve to fund Insurance costs.
  - Drawdown of £93k from Management of Change reserve to fund New Normal projects. Council approved use of the reserve on 27 November 2019, but the timing of expenditure was not fully known until year end.
  - Reduced drawdown of £125k from the Management of Change reserve relating to the cost of the Apprentice scheme. A full year of cost was budgeted, but costs were only incurred from November after conclusion of the recruitment process.
- 6.4** It has been recommended that Cabinet recommend to Council these 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.

## **7. Conclusions and recommendations**

- 7.1** General Fund budgets are showing a balanced position at outturn, prior to completion of the HRA recharge and Collection Fund adjustments.
- 7.2** At outturn, against Strategic Planning and Environment capital budgets there is a pressure of £0.2m, with accelerated spend of £0.2m
- 7.3** Members are asked to note the financial position for the Council for 2019/20 as at outturn.