



<b>Report for:</b>	<b>Cabinet</b>
<b>Date of meeting:</b>	<b>24 May 2016</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Provisional Outturn 2015/16</b>
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>James Deane, Corporate Director (Finance &amp; Operations)</p> <p>David Skinner, Assistant Director (Finance &amp; Resources)</p> <p>Richard Baker, Group Manager (Financial Services)</p>
Purpose of report:	<p>To provide details of the provisional outturn position for the:</p> <ul style="list-style-type: none"> <li>· General Fund</li> <li>· Housing Revenue Account</li> <li>· Capital Programme</li> </ul> <p>To provide details of the proposed transfers to and from earmarked reserves.</p>
Recommendations	<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>1. Consider the provisional outturn position for each of the above accounts; and</li> <li>2. Recommend to Council approval of the reserve movements outlined in Section 9</li> </ol>
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><b>Monitoring Officer</b></p> <p>No further comments to add.</p> <p><b>S.151 Officer</b></p> <p>This is a Section 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. Introduction

1.1 The purpose of this report is to outline the Provisional Outturn for 2015/16, prior to the closure of the accounts. Outturn is reported for the following:

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

1.2 The Accounts and Audit Regulations 2011 require local authorities to have prepared their annual Statement of Accounts, complete with certification from the Section 151 Officer, by 30 June. The Statement of Accounts must be published by 30 September, following an audit to be undertaken by Ernst & Young.

1.3 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 Cabinet at its meeting of 28 June 2016 if there are any material variances. If there are no material variances, then the Final Outturn

will be reported only to the Audit Committee for final sign off at its meeting of 29 June 2016.

## 2. General Fund Revenue Account

2.1 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 7).

2.2 Appendix A provides an overview of the General Fund provisional outturn position, separating expenditure into controllable and non-controllable categories in order to focus scrutiny on those areas that officers are able to influence, i.e. the controllable.

2.3 The majority of non-controllable costs result from year-end accounting adjustments, e.g. depreciation charges. These are required to show the true value of resources used to provide the Council's services, but do not result in a cash charge to taxpayers. The provisional adjustments that have been completed to date are explained in section 6 of this report.

2.4 The current budget is the original budget approved by Cabinet in February 2015, plus the following approved amendments:

<b>Amendments</b>	<b>£000</b>	<b>Approved</b>
<b>2015/16 Original budget</b>	<b>17,534</b>	
Ambassadors' Programme	36	Council July 2015
Grant Funded Staff Costs in Revenues and Benefits	70	Council September 2015
Office Accommodation	53	Council September 2015
Reserve Funded Staff Costs	(10)	Council September 2015
Local Development Framework	(50)	Council September 2015
Grant Funded Costs in Electoral Registration	42	Council January 2016
Reserve Funded Election Budget	(30)	Council January 2016
<b>2015/16 Current Budget</b>	<b>17,645</b>	

2.5 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

	Current Budget £000	Provisional Outturn £000	Variance	
			£000	%
Finance & Resources	7,365	7,142	(223)	-3.0%
Strategic Planning & Environment	7,748	7,706	(42)	-0.5%
Housing & Community	2,532	2,393	(139)	-5.5%
<b>Total</b>	<b>17,645</b>	<b>17,241</b>	<b>(404)</b>	<b>-2.3%</b>

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

### 3. Finance and Resources

Finance & Resources	Current Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	9,796	9,755	(41)	-0.4%
Premises	1,754	2,037	283	16.1%
Transport	35	44	9	25.7%
Supplies & Services	4,184	4,063	(121)	-2.9%
Third-Parties	583	664	81	13.9%
Income	(8,987)	(9,421)	(434)	4.8%
	<b>7,365</b>	<b>7,142</b>	<b>(223)</b>	<b>-3.0%</b>

#### 3.1 Premises - £283k over budget (16.1%)

Pressure of £195k – In accordance with the legal agreement, the Council has reimbursed Hertfordshire County Council for a share of the costs of the temporary relocation of the Library, prior to the move to The Forum.

Pressure of £60k - There is a pressure of £60k relating to utilities costs on the Planet Ice site at Jarman Park, where the Council acts as agent for the operator. These costs have been recovered from the tenant and a corresponding overachievement in income has been generated (see paragraph 3.4).

Pressure of £40k – There is a pressure of £40k in the Public Conveniences Service, as a new electronic opening system is being installed. This will remove the need for Council staff to attend Public Conveniences to open and close the facilities, and offers a more cost-effective long term solution.

### 3.2 Supplies & Services - £121k under budget (2.9%)

Centralised Underspend of £207k – Underspends were identified across various services through close scrutiny of the budgets, in preparation for the 2016/17 budget round. Following approval at Full Council on 20 January 2016, these savings have been moved to a central area in Finance & Resources, and have been taken out of the base budget for 2016/17.

The savings originated from the following budgets:

<b>Scrutiny Committee</b>	<b>Description</b>	<b>Value</b>
Finance & Resources	Central Admin Staffing – in year vacancies	<b>£50k</b>
Finance & Resources	Performance and Projects - savings in Performance team (timing)	<b>£10k</b>
Strategic Planning & Environment	Regulatory Services supplies and services	<b>£20k</b>
Finance & Resources	Performance and Projects – various underspends across the service	<b>£44k</b>
Finance & Resources	Chief Executive Mgt Team	<b>£83k</b>
<b>Total</b>		<b>£207k</b>

Pressure of £90k – following a review of capital expenditure, annual licences for Microsoft Enterprise Agreements are now being treated as revenue expenditure. This cost had previously been budgeted in the capital programme. The cost for financial year 2015/16 has been charged to the General Fund revenue account, and this expenditure has been budgeted as a revenue cost in the 2016/17 budget.

Pressure of £50k –A levy was notified from Municipal Mutual Insurance. This is unbudgeted as this is only the second levy since 1992.

Surplus of £80k – The facilitating change budget has underspend by c£80k. This was allocated to deliver a review of sports provision and delivery arrangements within the Borough. This review will be delivered in 2016/17 following a tender to conduct the review. It is recommended that money is moved into a reserve to fund this activity.

### 3.3 Third Parties £81k over budget (14%)

Pressure of £50k – There is a pressure of £50k in Facilities Management. Additional costs have been incurred since the relocation of the Hemel Hempstead library into the Civic Centre, due to longer opening hours. Costs are also being incurred due to additional hours worked at Berkhamsted Civic Centre and Victoria Hall Tring over and above the contracted hours in order to generate income from hire of the premises. This pressure is offset by the service charge income as identified in paragraph 3.4.

Pressure of £40k – There is a pressure of £40k in Financial Services, as the budgeted savings on the provision of the Payroll contract will not be achieved in 2015/16. Following a long period of transition modelling with the new provider, the start of the new contract was delayed until 2016/17. The new payroll contract

was implemented in April 2016, from which point savings will be achieved at the rate previously forecast, and in line with the approved budget.

### 3.4 Income £434k over-achievement of budget (4.8%)

Surplus of £255k – Additional income, net of repairs costs of £28k, has been generated on properties owned by the General Fund which are currently being used by the HRA as rental properties. Following an in-depth review of rental income, as part of the 2016/17 budget-setting exercise, this income stream has now been transferred from the HRA to the General Fund.

Surplus of £105k – as mentioned in paragraph 3.1 and 3.3 above, utilities costs on the Planet Ice site have been recovered from the tenant. In addition, service charges e.g. portering services provided to enable the Civic Centre to remain open to accommodate the library's opening hours, have been billed to Herts County Council following the relocation of the library into the Civic Centre.

Surplus of £60k – Additional income of £60k has been generated from service charges on commercial properties. The terms of individual leases have been reviewed to identify an improved methodology for charging, which has led to an increase in income.

## 4. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	9,199	9,416	217	2.4%
Premises	1,065	1,025	(40)	-3.8%
Transport	1,445	1,436	(9)	-0.6%
Supplies & Services	3,932	4,267	335	8.5%
Third-Parties	132	128	(4)	-3.0%
Income	(8,024)	(8,566)	(542)	-6.8%
	<b>7,748</b>	<b>7,706</b>	<b>(42)</b>	<b>-0.5%</b>

### 4.1 Employees - £217k over budget (2.4%)

Pressure of £140k – There is a pressure of £140k in the budget for Employee costs in Waste Services. The budgeted efficiencies to be delivered through the new waste service (£420k budget reduction) were not fully realised from the start of the year, as the new structure took time to bed in.

A specific Waste Performance group was set up in June 2015 to address why productivity was below the anticipated level, and consequently why there was an overspend. During the first quarter of the financial year, two additional waste collection rounds were being utilised over and above the anticipated round structure. As at Quarter 2 this had been reduced to one additional round, and by the end of Quarter 3 this last additional round had been removed, to leave the service operating within budget at no additional resource or cost. Whilst the

budget pressure cannot be reversed for this financial year, it is expected that the service will operate within budget for financial year 2016/17.

Pressure of £100k – There is a pressure of £100k in Planning and Building Control, due to a number of vacant posts within the services. This work has been carried out by agency staff, but at a more expensive rate. A service review is being undertaken with a view to improving processes within the service and making efficiency savings going forward.

#### **4.2 Supplies and Services - £335k over budget (8.5%)**

Pressure of £120k – This pressure has arisen in the budgets for uninsured losses in Environmental Service and in Planning, where a number of insurance claims have been received, particularly for damage to properties from subsidence due to tree roots.

Pressure of £65k – There is an unbudgeted cost of £65k for the disposal of recycled material. This cost has arisen due to a downturn in the market for recycled materials due to the fall in the price of plastic, steel and glass.

Pressure of £40k – The Council commissioned V4 services to carry out a review of Waste Services, with a view to making service improvements. The initial findings of this review have been received and a number of the suggested improvements have been factored into the budget for 2016/17.

Pressure of £60k – A pressure of £60k has arisen in Development Control due to additional costs for consultancy support on more complex planning cases. There has also been an increase in the volume of challenges from the public which has led to higher than anticipated legal costs.

#### **4.3 Income - £542k surplus (6.8%)**

Surplus of £250k – A surplus of £250k has been generated in Planning and Building Control. This is due to a high volume of large one-off applications having been received during the financial year.

Surplus of £115k – In Waste Services, there is a surplus of £115k from the Alternative Financial Model. This is an incentive payment made by the waste disposal authority Herts County Council, to reward local authorities for increases in their recycling rates which saves the county council in disposal costs.

Surplus of £95k – A surplus of £95k has arisen in the Waste Transfer Site at Cupid Depot from efficiencies implemented by the service in waste disposal. The variance has arisen in the Income category because of a new arrangement with Herts County Council concerning street sweepings.

## 5 Housing and Community

Housing & Community	Current Budget	Provisional Outturn	Variance	
	£000	£000	£000	%
Employees	2,462	2,516	54	2.2%
Premises	436	427	(9)	-2.1%
Transport	16	11	(5)	-31.3%
Supplies & Services	2,891	2,830	(61)	-2.1%
Third Parties	823	830	7	0.9%
Income	(4,096)	(4,221)	(125)	3.1%
	<b>2,532</b>	<b>2,393</b>	<b>(139)</b>	<b>-5.5%</b>

### 5.1 Income - £125k over budget (3.1%)

Surplus of £45k – There is a surplus of £45k on income from The Elms homeless hostel. The Council entered into a contract with DENS to manage The Elms from May 2015, but the income from this contract had not previously been budgeted. This income has been factored in to the budget for 2016/17.

Surplus of £30k – There is a surplus of £30k on income from Garages where the level of voids has been lower than anticipated.

## 6 Non-Controllable Expenditure

6.1 Appendix A includes the provisional outturn for non-controllable expenditure. 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:

Surplus of £305k – There is a surplus of £305k in Housing Benefits and Subsidy due to a review of the methodology for providing for bad debts on overpaid Housing Benefit. A more accurate provision has been created based on previous recovery levels. This has led to a reduction in the bad debt provision required.

Surplus of £128k – there is a surplus of £128k on Interest Receipts. In May 2015 Council approved the borrowing of £19m to finance approved projects in the capital programme in advance of need in order to take advantage of historically low interest rates. This, along with slippage and underspends on the General Fund capital programme of £10.2m, has meant the Council has held higher cash balances during the year. These higher balances have been invested in line with the Council's treasury management strategy and have generated an additional £128k of interest receipts.

6.2 At the time of writing, the depreciation and recharge calculations for the year have yet to be finalised and included within the non-controllable expenditure section of Appendix A. At this stage, both have been included as on budget.



6.3 The depreciation charge is an accounting adjustment which has no impact on the taxpayer. However, the recharge calculation is likely to result in the charge to the HRA deviating from budget. Any changes resulting from the recharge calculation will be reported to the Audit Committee as part of the Final Outturn report.

## **7 Housing Revenue Account (HRA)**

7.1 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.

7.2 The projected HRA balance at the end of 2015/16 is £2.6m, which is £300k less than the budgeted balance of £2.9m.

### **7.3 Dwelling Rent - £151k under budget (0.3%)**

Although the net position on Dwelling Rent is under budget, there is an overachievement of £132k on budgeted housing rent, as the number of empty homes in the year was lower than anticipated. The budgeted level was 1%, but empty homes were approximately 0.4% over the course of the year.

The deficit has arisen following an unbudgeted recharge from the General Fund of £283k, to account for rent received on properties that are used to house Council tenants but are owned by the General Fund. This is shown as a reduction in rental income in the HRA. (See paragraph 3.4)

### **7.4 Contribution towards Expenditure - £336k over-achievement of income (60.5%)**

There is a surplus of £240k in Contributions from Leaseholders. Repairs costs were being charged to Leaseholders on an arrears basis, but are now being charged in the year the work has taken place.

A one-off payment of £40k has been received for Feed-In Tariffs for William Crook House which was an overdue payment relating to the last 4 years. There have also been some minor capital receipts, each individually under £10k, which have contributed a further surplus of £50k.

### **7.5 Interest and Investment Income - £71k over-achievement of income (62.3%)**

This over-achievement is as a result of higher than anticipated receipts from the sale of Right to Buy properties. An amount of £3.4m was estimated in the budget, however this financial year £12.9m has been received.

### **7.6 Repairs and Maintenance - £1.18m over budget (11.5%)**

The year end outturn position for 2015/16 shows an overspend of £1.18m in the repairs and maintenance budgets.

The four areas that have experienced the greatest pressure are Responsive Repairs, including small works, Asbestos surveys and removals, Health and Safety works and External redecorations.

The reasons for the main variances are:

**Responsive Repairs, including small works - overspend £740k (9.6%)**

These are all demand led works, encompassing traditional responsive repairs, and small works including estate works such as rebuilding dangerous walls, fence renewals, and footpath works.

In overall terms, in financial year 2015/16 28,534 responsive repair jobs were completed in comparison with 23,368 jobs in financial year 2014/15, which is an increase of 22%. Average job costs were at a 25% lower average cost in the first quarter of the year and it was anticipated that this would continue over the rest of the year. High demand in small works was experienced in the second and third quarters of the year as a result of a backlog in work predating self-financing that has outstripped the savings anticipated from reduced average job costs.

It was expected that these overspends could be offset by corresponding underspends on voids based on activity levels for the first two quarters of c£250k. However, due to increasing demand for homeless temporary accommodation, a number of HRA general needs properties have been converted into temporary accommodation during the year, thereby increasing the frequency and volume of voids. This has resulted in a swing in forecasts of c£500k based on the average unit cost of servicing a void of c£5k.

- *Voids 14-15 - 713 completed*
- *Voids 15-16 - 766 completed*

**Health and Safety works – overspend £120k (7.6%)**

The poor summer followed by a persistently wet autumn/winter resulted in an increased demand for work to treat mould in the housing stock where the average rainfall was almost twice the normal average. An enhanced specification was developed and extensive work carried out to the affected properties to eradicate the mould and improve ventilation.

The remainder of the works in this category relate to concrete repairs, trip hazards or other health and safety related issues and are demand led.

**Asbestos surveys and removals - overspend £230k (5.7%)**

The impact of higher volumes of responsive small works and the enhanced specification for eradication of mould has resulted in a corresponding increase in the number of asbestos refurbishment and demolition surveys, as the enhanced specification leads to more invasive work requiring a greater number of surveys. Due to the age and poor condition a number of asbestos components have required removal.

**External redecoration - overspend £180k (3.8%)**

External redecoration was undertaken to blocks where scaffold was in-situ for windows or roof renewals funded from capital to maximise the use of the scaffold

in line with the objectives of the Total Asset Management (TAM) approach. The TAM approach resulted in bringing forward spend from future years of the business plan.

#### **7.7 Supervision and Management - £141k under budget (1.2%)**

There are various over and underspends in this area, but the key variances are £140k underspend in the Housing Cleaning service due to a number of vacancies in year, £60k under budget in utilities costs in Elderly Persons' Dwellings and £60k overspend due to unbudgeted revenue costs associated with the New Build programme.

#### **7.8 Revenue Contribution to Capital - £481k under budget (3.3%)**

Line 192 of the Capital Programme (Appendix C) shows the budget for Planned Fixed Expenditure. There is an overspend of £149k on this line. Within this net overspend there is accelerated spend of £630k on the Walkways project to upgrade the structural integrity of the balconies and walkways, which necessitates budget to be brought forward from 2016/17. This leaves a residual underspend of £481k on the capital scheme overall. This underspend means that the Revenue Contribution to Capital can be reduced by a corresponding amount of £481k, as this amount is not required to fund the capital programme.

It is recommended that the revenue contribution to capital be further reduced by £279k to offset the current deficit on the HRA.

#### **7.9 Transfer from Housing Reserves - £34k over budget**

This transfer from HRA earmarked reserves is to fund the costs of the Social Housing Fraud officer, met from a grant received from DCLG in prior years.

### **8 Capital Programme**

#### **8.1 Appendix C shows the projected capital outturn in detail by scheme.**

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

The 'Rephasing' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2016/17 or future years rather than 2015/16, or conversely, where expenditure planned initially for 2016/17 will now be in 2015/16.

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

	Current Budget £000	Projected Outturn £000	Rephasing £000	Variance	
				£000	%
Finance & Resources	12,712	10,424	(1,936)	(352)	-2.8%
Strategic Planning & Environment	14,651	7,041	(6,146)	(1,464)	-10.0%
Housing & Community	1,855	1,539	(113)	(203)	-10.9%
<b>G F Total</b>	<b>29,218</b>	<b>19,004</b>	<b>(8,195)</b>	<b>(2,019)</b>	<b>-6.9%</b>
<b>HRA Total</b>	<b>32,062</b>	<b>30,530</b>	<b>(1,048)</b>	<b>(484)</b>	<b>-1.5%</b>
<b>Grand Total</b>	<b>61,280</b>	<b>49,534</b>	<b>(9,243)</b>	<b>(2,503)</b>	<b>-4.1%</b>

## 8.2 General Fund Major Variances

There is an overall underspend of £10,214k on the General Fund within year 2015/16. This is a combination of underspending of £2,019k and slippage of £8,195k. This represents 28% slippage against the budget, compared to slippage of 10.3% in 2014/15. This increase in slippage is primarily due to slippage on a few high value projects including the Forum, the Water Gardens, the Fleet Replacement Programme, and the Maylands Urban Realm Project. Further on these areas of slippage follows.

The net underspend of £2,019k is comprised of:

- Line 43: underspend of £76k on demolition of Unit B and The Old Court House due to the costs coming in less than the budgeted £400k.
- Line 59: underspend of £121k on the Car Park Refurbishment project. The requirements for 2015/16 were refined, and 2 car parks have been refurbished this financial year at a cost of £116k, with slippage of £99k into 2016/17. A new capital bid has been approved for works to be carried out to further car parks in 2016/17.
- Line 89: underspend of £136k on Enterprise Licence Agreements. These ICT licences are now being treated as revenue expenditure, as they are incurred on an annual basis. The cost for financial year 2015/16 has been charged to the General Fund revenue account, and this expenditure has been budgeted as a revenue cost in the 2016/17 budget.
- Line 137: an underspend of £165k on the Affordable Housing Development Fund. This budget was previously allocated from General Fund capital receipts, but is now funded from Housing Revenue Account 1-4-1 receipts due to the high level of property sales under the Right to Buy scheme. The expenditure is based on the grant applications received from Housing Associations and is therefore demand led.

- Line 165: an underspend of £141k on Home Improvement Loans budget. Uptake to this scheme has been low and the budget is not expected to be spent. The budgets previously allocated for this scheme in future years have been removed from the capital programme during the last budget round.
- Line 172: an overspend of £93k on Regeneration of the Town Centre which equates to 2% of the overall project budget. During the course of the work at the Marlowes Shopping Zone, many issues were identified including previously unidentified underground utilities and changes made by Herts County Council to the design and materials, which had a substantial impact on the time and budget for this project. Unbudgeted grant income has been received from Herts County Council of £60k which partially offsets this overspend.
- Line 175: an underspend of £403k on the Bus Interchange project. Following the issues identified during the course of the works at the Marlowes Shopping Zone, a large contingency was put in to the Bus Interchange project, with a high expectation that unforeseen issues might arise. Fortunately this did not turn out to be the case and a large saving has been made. Unbudgeted grant funding of £180k from Herts County Council has also been secured which reduces the overall cost to the council.
- Line 176: an underspend of £1m on the Heart of Maylands project. This scheme was intended to support the provision of highway access and infrastructure serving DBC's landholding on the Maylands Gateway, however this work is no longer required and the budget will not be spent.

The projected rephasing to future years of £8,195k includes:

- Line 42: accelerated spend of £464k on the budget for Strategic Acquisitions. The Health Centre building was purchased in October 2015, however this spend had previously been profiled to financial year 2016/17.
- Line 56: slippage of £191k at Rossgate Shopping. £9k has been spent this financial year on design work. Any further work is on hold pending the outcome of the strategic condition survey of the Council's property portfolio.
- Line 59: £99k slippage on the Car Park Refurbishment project. The budget allocated to resurface Queensway car park will now be spent in 2016/17.
- Line 60: £161k of accelerated spend on Berkhamsted Multi-Storey Car Park. Additional expenditure has been incurred on the development and planning stage of the project which necessitates bringing forward approved budget that had previously been profiled for expenditure in 2016/17.
- Line 62: £184k slippage on Bunkers Farm. The purchase of land has taken longer than anticipated. Completion is now expected in the first quarter of the new financial year.
- Line 144: £400k slippage on Berkhamsted Sport Centre roof. The work has not currently been scoped out, and at this stage it is unrealistic to expect spend to take place in 2015/16.

- Line 147: £76k slippage on Hemel Sports Centre renew heat and power system. This project has been postponed to 2016/17 due to the work on replacement of the Air Handling Unit for the gymnasium taking priority.
- Line 72: £87k slippage on Planning Software Replacement. This project was intended for a complete upgrade of the IDOX software, but to date this has not been required, as smaller improvements to the system have been sufficient. The budget will be needed in 2016/17 however, for further improvements to Planning software to deliver future service efficiencies.
- Line 81: slippage of £1m on The Forum. The budget of £9.4m was based on indicative cashflows at the time.
- Line 90: slippage of £70k on Website Development. This relates to the web portal element of CRM. The procurement exercise is not yet complete and it is now expected that the project will be completed next financial year.
- Line 102: slippage of £70k on EIS replacement. A decision on EIS replacement will be taken when there is more clarity on the feasibility of other HR delivery models.
- Line 131: slippage of £83k on Youth Centre Provision. This budget is being used for the new Cycle Hub and for youth facilities at the Adventure Playgrounds. To avoid the works impacting on the Adventure Playgrounds during the Easter holidays, it was necessary to slip the £83k in to 2016/17.
- Line 155: slippage of £107k on the Play Area Refurbishment Programme. The programme of work has been reviewed many times, particularly as individual amounts of section 106 funding are being identified that can be used to fund particular sites. The requirements have now been reworked and the anticipated spend for 2015/16 is £107k less than the budgeted £397k. Any unused funds will be slipped into 2016/17 to fund the programme of works for that year.
- Line 156: slippage of £75k on Waste & Recycling Service Improvements. This budget was slipped forward from 2014/15 and was intended to be used for new bins for the second phase of the new waste service which is the roll out to communal properties. The project has been delayed due to the complexities of dealing with a variety of communal properties but it is expected that this funding will be required in 2016/17.
- Line 160: slippage of £1.72m on the Fleet Replacement Programme. The requirements of the service for communal properties are still being scoped out.
- Line 170: slippage of £813k on Maylands Phase 1 (Maylands Urban Realm). A revised project cost was approved at Cabinet 20 October 2015, and approval was given to award the contract for the construction of the project. £233k has been spent in 2015/16 with the balance now anticipated to be spent in 2016/17.

- Line 171: slippage of £300k on Urban Park. This project will not be completed in 2015/16 now due to other projects such as the Water Gardens taking priority.
- Line 173: slippage of £335k on Maylands Business Centre. Initial bids on this scheme were received earlier in the financial year, but were in excess of the allocated budget. A request to increase the level of budget was approved at Cabinet on 24 November, and revised quotes are currently being evaluated, with the aim of awarding the contract early in the new financial year.
- Line 174: slippage of £2m on the Water Gardens. Delays have been experienced on the project due to the complexity of the work. It had been intended that the bridges would be refurbished in September 2015, however after structural surveys and a planning review, it was decided that these would all be replaced with new bridges which will now take place in summer 2016. The removal of silt has also taken longer than anticipated due to lack of storage space.
- Line 175: slippage of £300k on the Bus Interchange project. Although the project is practically complete, there remains some enhancement work to be carried out. There have been some delays in agreeing the final specification for this work and these costs will now be incurred early 2016/17.
- Line 178: slippage of £508k on Town Centre Access Improvements project. Options for the scheme have been received and are currently being considered. Pre-assessment work of £14k has been carried out in 2015/16, but the majority of the work will now be in 2016/17.

### 8.3 HRA Major Variances

There is an underspend on the HRA capital programme of £1,532k.

- Line 192: net overspend of £149k on Planned Fixed Expenditure. Within this net overspend there is accelerated spend of £630k on the Walkways project to upgrade the structural integrity of the balconies and walkways, which necessitates budget to be brought forward from 2016/17. This leaves a residual underspend of £481k. The HRA Revenue Contribution to Capital will be reduced by this amount, as the budgeted contribution to capital is not required in full.
- Line 196 and 197: slippage of £106k on the new build programme at Farm Place and £140k on Galley Hill. Both of these schemes are complete, however it is proposed that the budget be slipped to 2016/17 to fund unbudgeted expenditure which will be required on Stationer's Place (The Apsley Paper Mill) where a second overage payment is due in 2016/17 on the land purchase.
- Line 198: slippage of £838k on the new build scheme at London Road Apsley. There have been some delays to the build of the site, due to amendments to meet changing client requirements, such as ground floor flats low level showers and layout change to certain plots to meet resident requirements. This work can be accommodated within the approved budgets for the scheme overall.

- Line 203: accelerated spend of £235k on the new build site at Apsley Paper Mill (Stationer's Place). An overage payment of £250k has been made following the granting of planning permission on this site. A further payment of £450k will be due in 2016/17.
- Line 204: slippage of £73k on the new build scheme at Queen Street Tring. With Queen Street being a former council depot, the initial site investigation suggested two points of contamination which needed to be addressed. A further survey uncovered extensive contamination across much of the site which was unexpected, and required removal of the surface layer and replacement in its entirety, culminating in a 5 week delay. This work can be delivered within the approved budgets for the scheme overall.
- Line 205: slippage of £178k on the new build scheme at Able House, which represents the first payment to the main contractor for works. The works were due to start on site in March 2016, after demolition of the existing building, however the demolition has proved more complex and time consuming than anticipated, due to the discovery of asbestos.
- Line 207: slippage of £583k on the new build scheme at Swing Gate Lane. This slippage is due to delays in the purchase of the land. It was expected that the land would be purchased in March 2016, but complexities in the transaction have led to a time delay and the purchase is now expected early in financial year 2016/17.

## **9 Balances and Reserves**

9.1 The Reserves Summary at Appendix D reflects the movements approved by Council in February 2016.

9.2 In cases where reserves were to be drawn down in 2015/16 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down.

9.3 Variances over £30k on recommended reserve movements compared to the original budget and additional movements approved in year are as follows:

- Invest to Save Reserve - £47k reduced draw down. A draw down of £195k was budgeted to be drawn down towards income generation and cost reduction projects at the Council cemetery sites. The refurbishment of facilities at Woodwells cemetery has slipped to 2016/17. A reduced drawdown of £148k from the reserve is required in 2015/16, with the balance of £47k to be drawn down in 2016/17.
- Dacorum Development Reserve - £82k reduced draw down. A draw down of £100k was budgeted to be drawn down to be paid to Tring Town Council for the development of a local plan. Part of this project has slipped, with £18k being spent in 2015/16. A reduced drawdown of £18k from the reserve is required in 2015/16, with the balance of £82k to be drawn down in 2016/17.
- Management of Change Reserve - £37k reduced draw down. A draw down of £40k was budgeted to be drawn down towards the management of a



community centre at Woodhall Farm. Income was raised that will be payable to the community group that takes over the management of the community centre in 2017/18. A reduced drawdown of £3k from the reserve is required in 2015/16, with the balance of £37k to be drawn down in 2017/18.

- Management of Change Reserve – Additional contribution to the reserve of £80k. As set out in paragraph 3.2, £80k was set aside to deliver a review of sports provision within the Borough. As this was not undertaken in 2015/16, the funds will be set aside in the Management of Change Reserve and drawn down in 2016/17.
- Maylands Plus Reserve - £31k additional contribution to the reserve. Surpluses generated at Maylands Business Centre are contributed to the Maylands Plus reserve towards future works at the premises or other economic development schemes. In 2015/16 the centre generated £31k through increased income and reduced running costs.

9.4 It is recommended that as part of the normal year-end processes all balances will be reviewed and movements of any surplus identified is delegated for final approval of the amounts to Audit Committee on 29 June 2016. This will help fund future organisational transformation initiatives as the Council seeks to respond to the forecast reductions in government funding.