



**AGENDA ITEM:
SUMMARY**

Report for:	Strategic Planning and Environment Overview and Scrutiny Committee
Date of meeting:	14 June 2016
PART:	1
If Part II, reason:	

Title of report:	Provisional Outturn 2015/16
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance & Operations) David Skinner, Assistant Director (Finance & Resources) Richard Baker, Group Manager (Financial Services)
Purpose of report:	To provide details of the provisional 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	That Committee note the provisional outturn position.
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.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account

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
- 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).

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 4 of this report.

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

Amendments	£000	Approved
2015/16 Original budget	17,534	
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
2015/16 Current Budget	17,645	

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%
Total	17,645	17,241	(404)	-2.3%

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

3. 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%
	7,748	7,706	(42)	-0.5%

3.1 **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.

3.2 **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.

3.3 **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.

4 Non-Controllable Expenditure

4.1 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 identified to date include:

Deficit of £50k on recharges to the HRA – waste from the Housing repairs contract is no longer being disposed of at Cupid Green Depot, which leads to a reduction in the recharge from the General Fund to the HRA of £50k.

4.2 At the time of writing, the depreciation and support services 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.

4.3 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.

5 Capital Programme

5.1 Appendix B shows the provisional 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	Provisional Outturn £000	Rephasing £000	Variance £000 %	
Strategic Planning & Environment	14,651	7,041	(6,146)	(1,464)	-10.0%
G F Total	14,651	7,041	(6,146)	(1,464)	-10.0%

5.2 General Fund Major Variances

The final position for the General Fund comprises the following:

- £1,464k - underspends on completed projects
- £6,146k - slippage on incomplete projects (42%)

£6,146k of slippage represents 42% against the budget compared to 12% of slippage in 2014/15. This increase is primarily due to slippage on a few high value projects including the Water Gardens, the Fleet Replacement Programme, and the Maylands Urban Realm project. Further details follow below.

5.3 Net underspend of £1.46m comprises the following:

- 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.

5.4 Slippage of £6.15m comprises the following:

- 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.