



## AGENDA ITEM: 6

### SUMMARY

<b>Report for:</b>	<b>Housing &amp; Community Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>8 June 2016</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Provisional Outturn 2015/16</b>
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"> <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	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
- 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 5).

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:

<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.

	<b>Current Budget £000</b>	<b>Provisional Outturn £000</b>	<b>Variance</b>	
			<b>£000</b>	<b>%</b>
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. 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>

#### 3.1 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.

### 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.

4.2 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.

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. Housing Revenue Account (HRA)

5.1 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.

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

5.3 The table below provides an overview of the provisional outturn position for the HRA:

Housing Revenue Account	Current Budget £000	Provisional Outturn £000	Variance	
			£000	%
Total Income	(57,765)	(58,029)	(264)	0.5%
Total Expenditure	57,765	58,342	577	1.0%
Transfer from Housing Reserves	0	(34)	(34)	0.0%
<b>HRA Deficit / (Surplus)</b>	<b>0</b>	<b>279</b>	<b>279</b>	
<b>Housing Revenue Account Balance:</b>				
Opening Balance at 1 April 2015	(2,900)	(2,846)	54	
Deficit / (Surplus) for year	0	279	279	
Proposed Contributions to Reserves	0	0	0	
<b>Closing Balance at 31 March 2016</b>	<b>(2,900)</b>	<b>(2,567)</b>	<b>333</b>	

#### 5.4 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)

#### 5.5 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.

#### 5.6 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.

## 5.7 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.

**5.8 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.

**5.9 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.

**5.10 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.

**6. Capital Programme**

**6.1 Appendix C 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	Provisional Outturn	Rephasing	Variance	
	£000	£000	£000	£000	%
Housing & Community	1,855	1,539	(114)	(202)	-10.9%
<b>G F Total</b>	<b>1,855</b>	<b>1,539</b>	<b>(114)</b>	<b>(202)</b>	<b>-10.9%</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>33,917</b>	<b>32,069</b>	<b>(1,162)</b>	<b>(686)</b>	<b>-2.0%</b>

## 6.2 General Fund Major Variances

The final position for the General Fund comprises the following:

- £202k - underspends on completed projects
- £114k - slippage on incomplete projects into 2016/17

The major variances on the General Fund capital programme are detailed below.

- 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 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.

## 6.3 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.