



AGENDA ITEM: 9

SUMMARY

Report for:	Finance and Resources Overview and Scrutiny Committee
Date of meeting:	16 June 2015
PART:	1
If Part II, reason:	

Title of report:	Provisional Outturn 2014/15
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance & Operations) 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 <p>To provide details of the proposed transfers to and from earmarked reserves.</p>
Recommendations	That Committee note the provisional outturn position.
Corporate objectives:	Dacorum Delivers
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	There are no equality implications.

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 2014/15, 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 is subject to 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 26 June 2015 if there are any material variances.

2. General Fund Revenue Account

2.1 The General Fund (GF) revenue account records the income and expenditure associated with all Council functions except management of the Council's housing stock. This 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, which 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 table below provides a summary of the provisional outturn for the General Fund by Scrutiny area.

	Original Budget £000	Provisional Outturn £000	Forecast Variance	
			£000	%
Finance & Resources	11,746	11,772	26	0.2%
Strategic Planning & Environment	6,169	5,706	(463)	-7.5%
Housing & Community	1,555	1,538	(17)	-1.1%
Total	19,470	19,016	(454)	-2.3%

2.5 It should be noted that the above variances are measured against the Original Budget as opposed to a Revised Budget. In previous years, the Revised Budget has been approved in February, and the Provisional Outturn has been measured against this Revised Budget. An overall variance of 2.3% in controllable expenditure against the Original Budget represents a significant improvement in financial management across the Council when compared with previous years.

2.6 The following sections provide a subjective analysis of provisional outturn and major budget variances shown by Scrutiny area.

3. Finance and Resources

Finance & Resources	Controllable Budget £000	Forecast Outturn £000	Forecast Variance	
			£000	%
Employees	10,175	10,237	62	0.6%
Premises	1,524	1,724	199	13.1%
Transport	36	50	14	40.0%
Supplies & Services	4,960	4,720	(240)	-4.8%
Third-Parties	1,883	1,779	(104)	-5.5%
Income	(6,833)	(6,739)	94	-1.4%
	11,746	11,772	26	0.2%

3.1 Employees - £62k over budget (0.6%)

This overspend has arisen across services due to the vacancy factor, which is set at 5% of salary costs. In front-line areas such as Revenues and Benefits, where customer service is a primary focus, vacancies are filled quickly when they arise which has meant that the vacancy factor has not been met. A 0.6% overspend does, however, indicate that the current vacancy factor of 5% is materially correct and should be maintained.

3.2 Premises – £199k over budget (13.1%)

Overspend of £120k – This overspend relates to the Hemel Hempstead Civic Centre. Following the decision to remain in the Civic Centre until transfer to The Forum in January 2017, there have been a number of additional short-term

repairs required to ensure that the building remains usable. This includes some of the costs incurred by the Council that arising from the relocation of the library.

Overspend of £70k – This overspend relates to demand led repairs and maintenance at Community Centres and open spaces. The works to open spaces were in response to unforeseen incidents, primarily pavement subsidence at the Water Gardens and the repair of flint walls at Gadebridge Park following a number of vehicle incidents.

3.3 Supplies and Services - £240k under budget (4.8%)

Underspend of £95k - The Garage Disposal project has been re-phased into 2015/16, and the expenditure has therefore been deferred. The project is funded from earmarked reserves, and as such there is no impact on the overall outturn position.

Underspend of £100k – This relates to underspends in the Legal Service and the Performance and Projects area, most notably relating to the GIS project and the EDRMS project. As these projects are funded from reserves, there is no impact on the overall outturn position. The projects will now be delivered in 2015/16.

Overspend of £50k - The budget for the core funding grant to Sportspace was based on a proposal to amend the funding agreement. This amendment to the funding agreement has been postponed for one financial year.

3.4 Third Parties - £104k under budget (5.5%)

Underspend of £50k – This underspend related to the Internal Audit contract and is ongoing. The budget has been reduced for 2015/16 Budget.

Underspend of £30k – Costs of the Serco contract for Facilities Management have been lower than originally anticipated due to inflation rates being lower than budgeted. This saving has been reflected in the 2015/16 Budget.

3.5 Income – £94k under achieved (1.4%)

Under-achievement of £130k – This relates to the Revenues service, where the income from Court Costs recovered has been below budget. This is a continuing trend from prior years and has been amended for the 2015/16 Budget.

Surplus of £120k – An increase in income has been achieved from Investment Properties arising from the successful implementation of retrospective rent reviews. This increase has been incorporated within the 2015/16 Budget.

Deficit of £50k - This is an accounting adjustment relating to grant received in support of election costs. The monies have been received, and there is no overall impact on the outturn position, but accounting regulations require the grant income to be recognised as 'government grant' rather than within the Service income line.

4. Strategic Planning and Environment

Strategic Planning and Environment	Controllable Budget £000	Forecast Outturn £000	Forecast Variance	
			£000	%
Employees	8,336	8,291	(45)	-0.5%
Premises	1,204	1,209	5	0.4%
Transport	1,426	1,476	50	3.5%
Supplies & Services	4,684	4,687	3	0.1%
Third-Parties	119	116	(3)	-2.5%
Income	(9,599)	(10,073)	(474)	-4.9%
	6,169	5,706	(463)	-7.5%

4.1 Employees - £45k under budget (0.5%)

Overspend of £120k – This has arisen due to the vacancy factor of 5% not having been met in full across a range of services. The most significant area is Clean, Safe and Green, where the variance is £110k over budget due to low levels of staff turnover.

Underspend of £80k – This relates primarily to Building and Development Control. There have been numerous vacancies in year which, together with county-wide recruitment challenges within the profession, has led to an underspend.

Saving of £85k – This has been achieved from the introduction of the new Waste Service in November 2014. This part-year saving has been captured in the Budget for 2015/16.

4.2 Transport - £50k over budget (3.5%)

Savings of £25k – Savings have been achieved in the Clean, Safe and Green budget for fuel due to a reduction in the price of fuel.

Overspend of £50k – This relates to increased transportation costs following the introduction of the new Waste Service, specifically the cost of transporting recyclable material from the Council's depot to the recycling plant. This cost has been incorporated into the budget for 2015/16.

Overspend of £25k – A more comprehensive programme of servicing has been introduced in the past financial year for grounds maintenance vehicles. Small plant is also being serviced on a regular basis, to ensure that it complies with new Health and Safety legislation.

4.3 Income - £474k over achieved (4.9%)

Surplus of £225k - Car Parking Income has exceeded budget in 2 key areas: off-street car parking has generated an additional £115k, due to increased usage of council car parks, and the income from on-street penalty charge notices has exceeded budget by £85k. An increase of £140k has been factored into the budget for 2015/16 (£90k in off-street car parking and £50k in on-street penalty charge income).

Surplus of £200k – This has been generated in the areas of Building and Development Control due to some large one-off applications, along with a general increase in the number of applications received as the economy shows signs of recovering. An increase of £115k has been incorporated into the budget for 2015/16.

Surplus of £50k - The legal challenge to the adoption of the Local Development Framework Core Strategy has been defeated, which has resulted in unbudgeted income from the recovery of legal expenses.

5. Housing and Community

Housing & Community	Controllable Budget £000	Forecast Outturn £000	Forecast Variance	
			£000	%
Employees	3,213	3,294	81	2.5%
Premises	402	381	(21)	-5.3%
Transport	43	37	(6)	-13.9%
Supplies & Services	1,965	1,972	7	0.4%
Third Parties	25	26	1	4.3%
Income	(4,094)	(4,173)	(79)	1.9%
	1,555	1,538	(17)	-1.1%

5.1 Employees - £81k over budget (2.5%)

This overspend is across services, and is as a result of the vacancy factor not being achieved.

5.2 Premises - £21k under budget (5.3%)

Saving of £70k – In the Homelessness service, there have been savings in temporary accommodation costs arising from 2 key factors: firstly improved advice and prevention has led to a reduced need for temporary accommodation, and secondly, the Council-owned Leys Road hostel has now been open for the first full year.

Overspend of £66k - Dacorum has taken over the management of 2 Homes of Multiple Occupancy, through the process of Management Orders. This was due to the inadequate state of the properties which were posing a health and safety risk to tenants. Expenditure of £66k has been incurred to bring the properties up to the required standard. This will be recovered in full, as rental income from tenants is being retained by Dacorum until the expense is recovered.

5.3 Supplies and Services - £7k over budget

Underspend of £50k - A saving has been achieved against a budget of £83k on the cost of the Housing Stock Condition Survey. This was due to a joint procurement process being carried out with East Herts and Welwyn Hatfield District Councils. This expenditure is funded from reserves, so there will be no impact on the outturn overall.

Overspend of £36k - Unbudgeted expenditure has been incurred relating to the Community Safety Partnership. This expenditure is fully matched by increased grant income meaning that there is no overall impact on the taxpayer (see paragraph 5.4).

5.4 Income - £79k over achieved (1.9%)

Surplus of £60k - An increase in income across Regulatory Services has been generated, in the areas of Environmental Protection & Housing, Pest Control, Disabled Facility Grant Agency income and Primary Authority work.

Surplus of £36k - The grant income for the Community Safety Partnership of £36k referred to in paragraph 5.3 is unbudgeted income which offsets the budget pressure in expenditure.

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 shown below:

	£
Housing Benefits and Subsidy	113,000
Bad debt provision	<u>(63,000)</u>
Total	50,000

The variance of £113k in Housing Benefits and Subsidy equates to 0.2% of the overall budget of £48m.

The bad debt provision was budgeted to increase by £118k based on trend analysis of previous years, but, based on the same audited calculation method the actual requirement was significantly less, at £55k.

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 provisional HRA balance at the end of 2014/15 is £2.9m, which complies with the Council's approved strategy of maintaining a minimum balance on the HRA of 5% of turnover (£2.85m).

7.3 Over the course of the year the HRA generated a surplus of £177k, which is £62k lower than the budgeted surplus. Significant variances are explained in the paragraphs below.

7.4 Dwelling Rents - £136k surplus (0.3%)

Surplus income has been generated due to a number of tenants moving to target rent as they have begun a new tenancy. The level of void properties has also been kept low, with the average for the year running at approximately 0.6% (an estimate of 1% was used to set the budget).

7.5 Non Dwelling Rents - £30k surplus (37.5%)

A surplus has been generated on income from third parties for commercial use, for example telecommunications companies locating masts on HRA land. This is due to backdated income coming to the Council following the recent resolution of lease issues.

7.6 Leaseholder Charges - £34k surplus (7.9%)

This surplus is as a result of under-budgeted insurance costs chargeable to leaseholders. This has been corrected for Budget 2015/16.

7.7 Interest and Investment Income - £78k surplus (78%)

An increase in the number of Right to Buy sales over the year has resulted in increased capital balances, which have generated additional investment income.

7.8 Contribution towards expenditure - £210k surplus (45.7%)

This surplus results from the high number of repairs carried out in 2013/14 which were subsequently recharged to leaseholders on an arrears basis in 2014/15.

7.9 Repairs and Maintenance - £1,043k under budget (8.1%)

There is an efficiency saving of £400k across the areas of Responsive Repairs and Void Repairs arising from the new Total Asset Management contract with Osborne which commenced in July 2014.

There is an underspend of £680k in the area of Planned Maintenance due to delays in the programme of works, following the implementation of the Osborne contract in July 2014. The delay in the programme will be caught up in 2015/16.

7.10 Supervision and Management - £77k under budget (0.7%)

The underspend relates to:

Pension backfunding paid in 2013/14 – £210k. In February 2014, following the triennial actuarial review of the Council's pension scheme, Full Council approved

a one-off payment of £210k (HRA element) to reduce the deficit on the pension scheme. At the time of approval it was anticipated that this payment would be made in the financial year 2014/15. However, since approval the Council received notification that payment was required in March and therefore would come from the 2013/14 budget.

Savings of £80k generated from the implementation of energy efficiency projects, including installation of solar panels on some sheltered housing roofs.

Underspend of £40k Under-Occupation Incentive Scheme – the number of tenants paid an incentive to move to a smaller home has been lower than anticipated, due to a lower than expected take up of the policy.

Underspend of £320k in Salaries - of this underspend, £120k relates to the TUPE of staff to Osborne. Other savings have arisen from a number of vacancies being held due to a restructure.

Off-set by overspends relating to:

£500k - Uninsured losses relating to insurance claims from tenants for damages to buildings and water leaks. After incorporating this year's figures, trend analysis has been carried out and the budget has been increased for 2015/16.

£100k - ICT costs related to the Total Asset Management contract and merging Orchard with Osborne's equivalent (£50k), and additional development work to improve in-house systems such as Orchard and Sprint.

7.11 Revenue Contribution to Capital £1,672k over budget

Revenue Contribution to Capital (RCC) is that amount of surplus revenue, generated over the course of the year, which is transferred out of the Housing Revenue Account into the Housing Capital Programme in order to fund capital projects.

Because it is revenue over and above the amount that is required to operate the HRA for the year, the actual level of RCC will go up or down dependent on over- or under-spends elsewhere within the HRA budget. Therefore, the increase in RCC at provisional outturn 2014/15 reflects the cumulative underspend elsewhere in the budget.

In summary, this means that £1,672k more than budgeted will be available to spend on HRA capital projects in future years. This will ensure that the capital programme, which includes elements such as the new build programme, can be successfully delivered.

8. Provisional Capital Outturn

8.1 The provisional capital outturn position is summarised by Scrutiny area in the table below. Appendix C shows the provisional outturn by scheme.

The 'Rephasing' column refers to those projects where expenditure is still expected to be incurred, but will now be in 2015/16 rather than 2014/15, or conversely, where expenditure planned initially for 2015/16 has been incurred in 2014/15.

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	%
Finance & Resources	3,245	2,468	(758)	(19)	-0.6%
Strategic Planning & Environment	8,985	7,327	(1,104)	(555)	-6.2%
Housing & Community	5,856	6,540	(3)	686	11.7%
G F Total	18,087	16,335	(1,864)	113	0.6%
HRA Total	35,050	25,469	(8,282)	(1,300)	-3.7%
Grand Total	53,137	41,804	(10,146)	(1,187)	-2.2%

8.2 General Fund Major Variances

The final position for the General Fund comprises the following elements:

- £113k - overspends on completed projects
- £1.864m - slippage on incomplete projects into 2015/16

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

8.3 Net overspend of £113k comprises the following key elements:

- Line 106: unbudgeted spend of £653k relating to the Highbarns Land Stabilisation Project. This expenditure is for work to the highways which has been fully funded by Herts County Council.
- Line 129: an underspend of £150k on Home Improvement Loans due to take up being less than expected. The annual budgets for future years have been reduced from £250k to £150k to reflect a lower than anticipated demand going forward.
- Line 142: a pressure of £174k on the Elms Hostel development at Redbourne Road due to the tender price being higher than budgeted. Section 106 funding has been earmarked to offset this pressure.
- Line 151: an underspend of £176k on the Car Park Refurbishment project relating to two schemes which could not be completed this year due to staff capacity. The schemes will still be undertaken but can be accommodated within the future budget allocations, so there is no requirement to slip the budget.

- Line 160: an underspend of £137k on Waste and Recycling Service Improvements, as wheeled bins were procured more cheaply than expected through a successful tender process.
- Line 170: an underspend of £112k on Neighbourhood Centre improvements now not being undertaken.

8.4 Slippage of £1.864m comprises the following major elements:

- Line 75: £406k slippage on the budget for The Forum. The development agreement has been signed and £1.1m of the £1.5m allocated budget has been spent this financial year with the balance required in 2015/16.
- Line 106: £77k slippage on Highbarns Land Stabilisation Project. The majority of the work at this site is complete and the Council has fulfilled its obligation under the Derelict Land Clearance order. However the work is not completely finished and final sign off from the contractor is awaited.
- Line 116: £194k slippage on the purchase of the land at Bunkers Farm for a new burial site. The land will be purchased from the Homes & Communities Agency, once satisfactory site investigations have been concluded, which is estimated to be early 2015/16.
- Line 172: £720k slippage on Regeneration of the Town Centre. This is due to inaccurate forecasting of council cash flows.

These are offset by pressures requiring funding to be drawn from the 2015/16 budget allocation:

- Line 81: £100k pressure on Enterprise Licence Agreements due to a change in licensing arrangements. There is no additional cost to scheme overall, just a change in cost profiling.
- Line 128: £105k pressure on Disabled Facilities Capital Grants. This is due to a high level of demand for disabled adaptations to properties, which is expected to continue into 2015/16.
- Line 142: £250k pressure on the Elms Hostel due to the tender price being higher than budgeted. This is in addition to the £173k referred to above. The total overspend is £424k. The £250k will be funded from budget brought forward from the Affordable Housing Development Fund.
- Line 162: £288k pressure relating to fleet purchases. The long term fleet requirements have been reviewed and have been incorporated into the Capital Programme for 2015/16 to 2019/20.

8.3 Housing Revenue Account Major Variances

There is a projected underspend on the HRA capital programme of £1.3m.

- Line 196: £331k underspend on the New Build at Farm Place Berkhamsted where the tender price was lower than budgeted.

- Line 201: £970k underspend relating to the transfer of The Point from the General Fund to the HRA, which will be made through an accounting adjustment rather than the use of budget. The financial implications for both funds will be exactly the same.

There is projected slippage of £8.28m into 2015/16 from the following:

- Line 194: £1.3m slippage in Planned Fixed Expenditure. This figure is mainly due to re-profiling of large projects which continue into 2015/16, offset by efficiencies identified in the Osborne open book contract.
- Line 196: £217k slippage on the New Build scheme at Farm Place, which was due for completion at the end of March but will now complete early 2015/16.
- Line 198: £2.89m of slippage due to delays on the New Build scheme at London Road. Construction works have been delayed due to difficulties relocating the substation during the initial phase of the scheme. Works have now commenced and the contractor is on site.
- Line 200: £3.98m of slippage on the purchase of land for the new build site at Martindale. A deposit of 5% has been paid in this financial year to secure the purchase, but the balance has been paid in 2015/16 following completion of an archaeological survey and the granting of planning permission.

9 Balances and Reserves

9.1 The Reserves Summary at Appendix D reflects the movements approved by Council in February 2015, including a contribution of £564k which was recommended subject to outturn.

9.2 It was recommended that Cabinet approve the following additional reserve movements subject to final outturn, which are also reflected within Appendix D:

- Management of Change Reserve – contribution £150k
To meet the costs of one-off projects required to make improvements or significant changes to services for which no budgetary provision exists, including transformation, redundancy, and pension strain payments.

This reserve was approved by Full Council as a priority area within the Reserves Strategy of the Budget 2015 report in February 2015.

- Earmarked Grants Reserve – draw down £78k
This reserve contains unutilised grants from prior years. This recommended draw down would fund relevant expenditure incurred in 2014/15.

9.3 Appendix A shows that after the above reserve movements are made there will be a reduction to the General Fund Working Balance of £48k. This reflects the forecast reduction approved by Council in February 2015, and is consistent with the strategy of reducing the Working Balance to £2.5m by the end of 2015/16.

9.4 It is recommended that any further increases to the Working Balance identified as part of the year-end process should be transferred to the Management of Change

Reserve. This will help fund future organisational transformation initiatives as the Council seeks to respond to the forecast reductions in government funding.

- 9.5 In cases where reserves were to be drawn down in 2014/15 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down. The remainder is held in reserve to fund the approved expenditure as it is incurred in future years.