



Report for:	Cabinet
Date of meeting:	23 May 2017
PART:	1
If Part II, reason:	

Title of report:	Provisional Outturn 2016/17
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>Authors: David Skinner, Assistant Director (Finance & Resources) Richard Baker, Group Manager (Financial Services)</p> <p>Contact: James Deane, Corporate Director (Finance & Operations)</p>
Purpose of report:	<p>To provide details of the provisional outturn position for the:</p> <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	<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Consider the provisional outturn position for each of the above accounts; and 2. Recommend to Council approval of the reserve movements outlined in Section 10

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>Monitoring Officer</p> <p>No further comments to add.</p> <p>S.151 Officer</p> <p>The S151 Officer has recommended reserve movements that will most appropriately assist the Council to deliver its stated objectives in the medium term.</p> <p>The Finance Team will work closely with Service Managers throughout the budget-setting process for 2018/19 to ensure that income forecasts are not overly prudent, and that expenditure budgets, where appropriate, are set to reflect underspends in 2016/17.</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. Executive Summary

- 1.1 The contribution to the General Fund working balance, as shown in paragraph 2.5, is £1.109m. This budget underspend has been analysed as part of the normal year end process, to ensure that ongoing savings have been identified and captured in the base budget going forward and one off items have been challenged.
- 1.2 Items of a one-off nature that are imprudent have not been built into the base budget based on a risk assessment of the likely recurrence, and these include:

- Housing benefit subsidy £110k surplus, (0.2% of budget)
- Parking income surplus £100k as this income is weather dependant
- Waste Services income from the Alternative Financial Model due to the current model being under review

1.3 Items captured in the base budget going forward include:

- Garages income additional £400k from 2017/18
- Investment Property inflationary increases £90k
- Ongoing savings in employees budget such as the savings in the leadership team (£75k) following the restructuring. Other savings in 2016/17 that are reported within the additional vacancies such in paragraph 3.1 have been challenged and contribute to savings already built in to 2017/18 budget assumptions.

1.4 The HRA has had increased pressure in quarter 4 from additional voids (£100k) and the repairs following from storm Doris late in the year (£110k). These additional pressures coupled with the income pressures forecast through the year mean a reduction in the contribution to reserves of £351k.

1.5 General Fund Capital spending is broadly on track with rephasing limited to 7.5% of the budget and consistent with forecasts made at Quarter 3. An additional underspend has been generated in Quarter 4 as the sum offered for the Health Centre includes the cost of demolition. This generates an additional saving of £290k.

1.6 The HRA Capital programme is consistent with previous reports with the main item being the underspend on the Osborne contract (£2.2m) to reflect the balancing of revenue and capital repairs over the year.

2. Introduction

2.1 The purpose of this report is to outline the Provisional Outturn for 2016/17, prior to the closure of the accounts. Outturn is reported for the following:

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

2.2 The Accounts and Audit Regulations 2015 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 Grant Thornton.

2.3 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 27 June 2017 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 28 June 2017.

3. General Fund Revenue Account

3.1 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 8).

3.2 The current budget is the original budget approved by Cabinet in February 2016, plus the following approved amendments:

Amendments	£000	Approved
2016/17 Original budget	16,946	
Corporate Graduates	18	Council July 2016
Reserve Funded Staff Costs	(46)	Council September 2016
Digitalisation of Planning Microfiche data	100	Council September 2016
Sports Review	40	Council January 2017
Arts Funding	15	Council January 2017
Pensions	(900)	Council April 2017
2016/17 Current Budget	16,173	

3.3 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.

3.4 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 7 of this report.

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

	Current Budget £000	Provisional Outturn £000	Variance	
			£000	%
Finance & Resources	7,245	6,820	(425)	-5.9%
Strategic Planning & Environment	7,107	6,933	(174)	-2.4%
Housing & Community	1,821	1,618	(203)	-11.1%
Total	16,173	15,371	(802)	-5.0%
Non-controllable budgets	(9,913)	(9,966)	(53)	0.5%
Earmarked Reserve movements	(6,260)	(6,563)	(303)	4.8%
Contribution (to)/from General Fund Working Balance	0	(1,158)	(1,158)	

3.6 Key changes between periods

The forecast position at quarter 3 was a contribution to working balances of £262k. A summary of the changes between periods, which make up the increase to working balances of £1,158k are as follows:

Budget Monitoring Quarter 3 - variance against GRF working balances	(262)
Planning Income - underachievement forecast at Quarter 3	(190)
General Fund properties used for Temporary Accommodation	(129)
Investment Property income - service charges and turnover based rent	(110)
Waste Services income	(130)
Reduction in overspend forecast against vacancy provision	(110)
Additional government grants	(76)
Benefits Subsidy	(110)
Increase in recharge to the HRA	(43)
Other minor items	2
Budget Monitoring Quarter 4 - variance against GRF working balances	(1,158)

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

4. Finance and Resources

Finance & Resources	Current Budget	Provisional Outturn	Variance	
	£000	£000	£000	%
Employees	10,105	9,976	(129)	-1.3%
Premises	2,004	2,079	75	3.7%
Transport	32	41	9	28.1%
Supplies & Services	4,170	4,439	269	6.5%
Third-Parties	336	454	118	35.1%
Income	(9,402)	(10,169)	(767)	8.2%
	7,245	6,820	(425)	-5.9%

4.1 Employees - £129k under budget (1.3%)

Saving of £75k – Following the restructure of the Council's leadership team in May 2016, a saving of £75k has arisen in the management team salaries budgets.

The remaining £54k is due to vacancies spread across the services. This is 0.5% of the employee budget.

4.2 Supplies and Services - £269k over budget (5.9%)

Pressure of £100k – This pressure relates to budgeted savings in the Parking service which have not been achieved in 2016/17 due to negotiations with our contractual partners taking longer than anticipated. These have now been concluded and the savings have been scheduled for 2017/18. Additional costs of upgrading Pay and Display machines (£15k) prior to the introduction of new £1 coin in March 2017 have also contributed to the overspend..

Pressure of £70k – This pressure has arisen from a review of the Estates service (£25k), which has assisted in identifying future efficiencies in the service of £50k, and from one off professional property fees incurred in order to generate capital receipt and to maintain existing revenue income streams such as the Aerial sites.

Pressure of £55k – A pressure has arisen in the Revenues and Benefits service from bank charges incurred. The new system of credit card surcharging has been successfully implemented with all fees fully recovered through the charging. Fee income is reported within the income budget which has over achieved its target in year. However changes made to the charging mechanism for debit cards have resulted in the pressure as the provider now charges on a percentage basis not as a flat fee. This was implemented part year and was therefore not factored into the budget.

Pressure of £40k – A pressure of £40k has arisen in the Cemeteries service, in relation to new monitoring equipment including Hand Arm Vibration monitoring to satisfy health and safety requirements and to ensure there is consistency across council departments.

4.3 Third Parties - £118k over budget (35.1%)

Pressure of £120k – a pressure has arisen in the Facilities Management service due to one-off costs relating to the move the Council's new offices The Forum. These costs have been passed back to the Council's partners through service charges recharges (see paragraph 4.4 below) and results in no actual cost to the Council.

4.4 Income £767k over-achievement of income (8.2%)

Over-achievement of income of £210k – The income on Investment Properties has exceeded budget by £210k. An additional £110k of income has been generated as a result of successful rent reviews secured this financial year that exceed the inflation factor put into the budget. Additional income of £70k is related to turnover based rents on specific sites. In addition, service charges have generated an additional £30k of income due to efficiencies identified by the finance and estates teams working together to improve the methodology for billing tenants that have been implemented in the year. This will be scrutinised to see if the over achievement of rental income can be built into the 2018/19 budget.

Over-achievement of £210k – An additional £210k of income has been generated from properties being used as Temporary Accommodation by the Housing Service. A higher than expected number of properties is being used as Temporary Accommodation as there is an increase in demand. Council owned properties managed by commercial assets are being used to maximise occupancy and to minimise expensive bed and breakfast provision for Housing. This will be additional income that can be factored into 2018/19 budget assumptions.

Over-achievement of income £135k – This additional income relates to Premises and Third Party costs of The Forum, and is being charged back under lease agreement to the Council's partners through service charge recharges (see paragraph 4.3 above).

Over-achievement of £100k – Car parking income has achieved a surplus of £100k this financial year, due to an increased volume of customers using the Council owned car parks and the mild and dry year.

Over-achievement of £50k – An over-achievement of income of £50k has been realised in the Revenues, Benefits and Fraud service. £26k relates to the Benefits Administration Subsidy grant from central government, which was higher than previously expected. £16k relates to various items of grant funding, which have been received by the service for specific requirements of central government. £7k has been generated from the sale of Fraud expertise to a neighbouring local authority.

Over-achievement of £33k – An insurance rebate of £33k has been received. Under the Council's policies, rebates are receivable if the claims experience is particularly good in the prior year where the council had claimed less than previously.

5. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	9,362	9,359	(3)	0.0%
Premises	859	842	(17)	-2.0%
Transport	1,479	1,421	(58)	-3.9%
Supplies & Services	3,784	3,909	125	3.3%
Third-Parties	88	89	1	1.1%
Income	(8,465)	(8,687)	(222)	-2.6%
	7,107	6,933	(173)	-2.4%

5.1 Supplies and Services - £125k over budget (3.3%)

Overspend of £125k – An overspend of £125k has arisen due to insurance provisions in Environmental Services budgets. These relate to public liability claims not covered by insurance, particularly two large subsidence claims for domestic properties from tree roots that have been settled.

5.2 Income - £222k over-achievement of budget (2.6%)

Over-achievement of income of £240k – In Waste Services an additional £180k of income has been generated as a result of an incentive payment from Hertfordshire County Council (HCC). This payment rewards Dacorum for improvements in the rate of recycling as a result of the co-mingled waste service. A surplus of £60k has also been realised in recycling credits, following improved co-mingled and green waste tonnages.

6. Housing and Community

Housing & Community	Current Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	2,549	2,672	123	4.8%
Premises	805	761	(44)	-5.5%
Transport	16	13	(3)	-18.8%
Supplies & Services	2,134	2,111	(23)	-1.1%
Third Parties	758	743	(15)	-2.0%
Income	(4,441)	(4,682)	(241)	5.4%
	1,821	1,618	(203)	-11.1%

6.1 Employees - £123k over budget (4.8%)

Pressure of £123k – In certain services such as the Adventure Playgrounds where adult to child ratios need to be maintained the vacancy provision is not applied and the overspend here is a result of staffing levels needing to be achieved during periods of sickness. Staffing costs (£56k) that are being recovered for staff seconded to partners with no net cost to the Council are included within this section with the income over-achievement set out in paragraph 6.2.

6.2 Income - £241k over-achievement (5.4%)

Over-achievement of income £210k – The income from the rental of Garages has exceeded budget by £210k. This is due to the improvements and active management implemented within Housing during 2016/17 to minimise void levels. An increase in garage income (£400k) has been factored into the 2017/18 base budget. Income associated with the recovery of staff costs (£56k) seconded to partners as per paragraph 6.1 is also included within this heading.

7. Non-Controllable Expenditure and Corporate Items

7.1 Appendix A includes the provisional outturn for non-controllable expenditure and corporate items. 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 £110k – There is a surplus of £110k in Housing Benefits and Subsidy. This is a variance of 0.2% on the total budget, which amounts to £48.2m.

Surplus of £43k – There is a surplus of £43k on the recharge to the HRA. The year end review of recharges has been carried out, and based on updated time allocations, an increased recharge to the HRA of £43k is required.

Surplus of £26k – There is a surplus of £26k on Interest Receipts. Slippage and underspends on the General Fund capital programme of £2.4m, 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 £26k of interest receipts.

Surplus of £210k - Additional new burdens grants totalling £204k, along with an adjustment of £6k to prior year New Homes Bonus grants, provide an additional £210k of unallocated grants. Included in these grants is £73k towards the cost of meeting welfare reforms and benefit cap changes. The work involved with these reforms has been absorbed within the Revenues and Benefits service, with no additional budget having been required. Section 31 grants are retained corporately unless there is evidence of a significant New Burden.

Increase in Revenue Contribution to Capital £336k – this increase is in line with 2016/17 reserves movements approved by Council in February 2017 as part of the 2017/18 budget setting process.

7.2 At the time of writing, the depreciation calculation for the year has yet to be finalised and included within the non-controllable expenditure section of

Appendix A. At this stage, this has been included as on budget. The depreciation charge is an accounting adjustment which has no impact on the taxpayer.

8. Housing Revenue Account (HRA)

8.1 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.

8.2 Key changes between periods

The forecast position at Quarter 3 was a reduced contribution to balances of £345k. The position at Quarter 4 is a reduced contribution to balances of £351k. Although this is a small movement overall, there are a number of items which make up this movement, which are as follows:

Budget Monitoring Quarter 3 - HRA variance against contribution to balances	345
Properties owned by the General Fund £210k, £65k higher than expected level of Right To Buy sales	275
Leaseholder Service Charges - higher than anticipated recovery	(170)
Increase in responsive repairs	204
Premises expenditure in Supported Housing (building R&M and utilities)	(130)
Increased income from minor capital receipts	(60)
Increased underspend from vacancies in services	(50)
Other minor changes	(63)
Budget Monitoring Quarter 4 - HRA variance against contribution to balances	351

8.3 The following sections provide an analysis of the projected provisional outturn and major budget variances shown by HRA grouping as set out in Appendix B.

8.4 **Dwelling Rents - £693k under-achievement of income (1.2%)**

£415k of the pressure on this budget line is due to General Fund properties being used by the HRA to house Council tenants. A budget of £160k was incorrectly allowed for this in the Supervision and Management line as a recharge from the General Fund. The combination of the budgeting error (£160k) plus the additional use of the General Fund properties (£210k) results in a £370k under achievement of income.,

£120k of the pressure is due to a budgeting error in Supported Housing (0.2%), and an additional £115k is due to higher than expected Right to Buy sales.

8.5 **Non-Dwelling Rents - £42k over-achievement of income (52.2%)**

This income stream relates to rental income on telecommunications aerials around the borough. New leases have been negotiated which has generated an additional £41k of income.

8.6 Contribution towards Expenditure - £90k over-achievement of income (13.7%)

A deficit of £135k had been anticipated in leaseholder charges for repairs work, however the final figure for the year is a surplus of £22k. The service have worked closely with Osborne during the year on the level of works chargeable to leaseholders, and a more accurate estimate has therefore been produced for this financial year end.

There is a surplus on the budget for minor capital receipts of £133k for work carried out by the Estates and Legal teams, such as deed of variation and lifting of restrictive covenants. This is partially offset by a deficit of £80k in income generated from recharges to tenants and leaseholders, as the income generated to date has been modest.

8.7 Repairs and Maintenance - £477k over budget (4.5%)

The pressure in repairs reported at period 9 was £273k. Since period 9 contractual discussions over charging rates have caused some delays in the programme for planned work, and it was anticipated that overall the Repairs and Maintenance budgets would finish the year broadly in line with budget. During the last quarter and in particular the last month of the year however, there was a marked increase in responsive work volumes, which is attributed in the main to repairs required after storm 'Doris' (approximately £110k). There was also an increase in void works with a rise in the quarterly number of properties from a year average of 176 to 212. In addition Osborne under-estimated the amount of works in progress for year end when reported at period 11. A decision was taken earlier in the year to mitigate the position on revenue by withholding some elements of non-essential capital improvements works (see paragraph 9.5). This has been kept under review over the course of the year to ensure that the overall repairs and maintenance budget has been balanced across revenue and capital.

8.8 Supervision & Management - £689k under budget (5.9%)

The projected underspend has arisen in the following areas:

£160k underspend from the budget for General Fund properties being used by the HRA being set in Supervision and Management. The actual charge has been posted against Dwelling Rents.

£130k underspend on premises expenditure in Supported Housing. There is an underspend in building repairs and maintenance, and savings in utilities in Elderly Peoples' Dwellings.

£100k underspend in the Tenants and Leaseholders section from vacancies in the Supporting People service. This will be examined as part of the 2018/19 budget setting process to identify if the savings can be delivered on an ongoing basis.

£100k underspend in the Housing Cleaning service from vacancies in the service and a reorganisation of the management team. This will be examined as part of the 2018/19 budget setting process to identify if additional savings can be delivered on an ongoing basis as well as the supervisory post that has already been removed as part of 2017/18 savings.

£70k underspend in the Under Occupation Incentive Scheme due to lower volume of moves in the scheme this financial year.

8.9 Transfer to Housing Reserves - £351k under budget (2.6%)

The overall variance on the HRA is currently forecast to reduce balances by £351k. It is proposed that this be funded from an underspend in the capital budgets.

9. Capital Programme

9.1 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 2017/18 rather than 2016/17, or conversely, where expenditure planned initially for 2017/18 will now be in 2016/17.

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.

The current budget is the original budget approved by Cabinet in February 2016, plus approved amendments, including re-phasing of the slippage identified at Quarter 1 into 2017/18.

	Current Budget £000	Provisional Outturn £000	Rephasing £000	Variance	
				£000	%
Finance & Resources	13,385	12,207	(851)	(327)	-2.4%
Strategic Planning & Environment	6,765	5,618	(779)	(368)	-5.4%
Housing & Community	1,742	1,707	(26)	(9)	-0.5%
G F Total	21,892	19,532	(1,656)	(704)	-3.2%
HRA Total	27,390	19,236	(7,813)	(341)	-1.2%
Grand Total	49,282	38,768	(9,469)	(1,045)	-2.1%

Key changes between periods – General Fund

9.2 A summary of the changes between periods is as follows:

	Rephasing £'000	Variance £'000
Budget Monitoring Quarter 3 - GRF Capital variance against budget	(1,278)	406
Demolition of Health Centre - Demolition price included within offer price therefore demolition budget no longer required.	0	(335)
Forum - additional budget for HCC fit out	(279)	(235)
Gade Zone	(87)	
Hemel Sports Centre heat and power - Specialised custom unit has 2 month build time	(175)	0
Play Area refurbishment	(71)	0
Maylands Urban Realm - savings from project re-engineering and securing additional funding from HCC	0	(356)
Water Gardens - increased level of spend in later months	576	(235)
Hemel Street Furniture	(111)	
Other changes	(231)	51
Budget Monitoring Provisional Outturn - GRF Capital variance against budget	(1,656)	(704)

9.3 General Fund Major Variances

There is an overall underspend of £2.36m on the General Fund. This is a combination of forecast underspend of £704k, and slippage of £1.656m (7%) into 2017/18.

The projected net underspend of £704k includes:

- Line 44: underspend of £290k on Demolition of the Health Centre. The demolition is no longer required, because an acceptable offer for the purchase of the land has been received, and the developer intends to demolish the building themselves.
- Line 168: underspend of £341k on the budget for Maylands Urban Realm. The project was value-engineered to ensure that costs were kept as low as possible. Work was undertaken in conjunction with Herts County Council, and significant parts of the project were paid for by HCC as part of their Highway programme. In addition, external funding of £68k was secured to replace DBC own funding.
- Line 170: overspend of £207k on Regeneration of the Town Centre. An overspend of £93k was reported last financial year on the project, which added to the £207k in 2016/17, brings the total overspend on the project to £300k, approximately 6% of the overall budget. Unbudgeted grant and Section 106 funding has been received to the value of £105k, which offsets some of the overspend, reducing the total position to 4% of the budget.

- Line 173: underspend of £222k on Bus Interchange project. £300k was carried forward from 2015/16 as slippage, in anticipation of the final costs on this project. Given the complexities of previous projects such as the Town Centre Regeneration, where a number of unforeseen expenses were incurred, a prudent estimate of the final costs was made, however this estimate has subsequently proved to be too high.

The rephasing to future years of £1.656m includes:

- Line 45: slippage of £75k on Old Town Hall café roof and stonework renewal. Works will now take place in August 2017, with the delay being as a result of ensuring the works could be procured and delivered during acceptable weather conditions and at a time that would cause the least disruption to the service.
- Line 58: slippage of £149k on Kingshill Cemetery - Welfare Provision. A longer than expected project design stage, planning and other consultations have now pushed this project into 2017/18.
- Line 88: slippage of £168k on The Forum. Minor works are still expected to take place to resolve snagging issues.
- Line 89: slippage of £87k on Gade Zone. This budget for professional fees regarding the Gade Zone development will now mostly be required in 2017/18.
- Line 96: slippage of £82k on Future Vision of CRM. Progress with the deployment of CRM has been delayed significantly due to changes in the provider Northgate's strategic approach to the product. Northgate advised the council in June 2016 that a new version of the product is being developed and advised against substantial development on the current platform. CRM development is therefore being pushed back to 2017/18.
- Line 102: slippage of £70k on EIS replacement. Consideration was given to the possibility of joining the Herts Framework to undertake transactional HR work via Serco, who are contracted to run the Council's Payroll service. Unfortunately, this option was not viable. Other HR systems that would fulfil the business needs are currently being reviewed.
- Line 144: slippage of £100k on Hemel Sport Centre renew heat and power system. Tenders for the work came back at over the budgeted amount, and additional budget had to be secured. Following this the order could be placed, however the particular unit required is specialised, and has a build time of over 2 months. The cost will now be incurred in 2017/18.
- Line 171: slippage of £377k on Maylands Business Centre. There was a delay in granting planning permission on the site until October. When works commenced on site, an unforeseen issue with one of the main drainage pipes was discovered, which has led to a delay in the scheme.

- Line 176: slippage of £81k on Hemel Street Furniture. Resources have been concentrated on the Water Gardens project, which has led to some delays in the street furniture project.

9.4 Key changes between periods – HRA

	Rephasing £'000	Variance £'000
Budget Monitoring Quarter 3 - HRA Capital variance against budget	(5,668)	(501)
Planned Fixed Expenditure - underspends in Osborne capital budgets to offset overspend in revenue budgets	(2,246)	184
Wood House - no spend had been expected this financial year, but the build has now commenced	552	0
Stationers Place - additional budget to be slipped	(145)	0
Able House - additional budget to be slipped	(329)	
Other changes	23	(23)
Budget Monitoring Provisional Outturn - HRA Capital variance against budget	(7,813)	(340)

9.5 There is an underspend on the HRA capital programme of £8.153m.

- Lines 181-185: slippage of £2.2m on the Property and Place budgets for planned capital works. Work streams managed by Osborne have been delayed due to contractual negotiations over charging rates. In addition, the revenue budgets managed by Osborne were forecast to exceed budget, and a decision was taken to slow down on non-essential capital work to balance this.
- Line 181-185: underspend of £351k on the budgets for planned capital works. This underspend has arisen from the gain share realised on Osborne capital works during the year. The underspend has been deliberately set aside and can be utilised to fund the overspend in revenue repairs in the HRA which is leading to the overall HRA revenue budget being in deficit of £351k.
- Line 189 and 190: underspend of £150k and £140k respectively on Farm Place and St Peter's Court. Although these schemes are complete, budget was slipped forward from 2015/16, which will be reallocated to Stationers Place.
- Line 191: underspend of £791k on Aspen Court, London Road Apsley. At the time of setting the budgets, an additional allocation of £600k was allowed for to cover previously unforeseen costs. This was incorrectly allocated to the Aspen Court, London Road budget, however it should have been allocated to Stationers Place. The underspend on this line will therefore be transferred to Stationers Place via a reallocation of the slippage. This has been taken into account in the budget setting process for 2017/18.

- Line 193 slippage of £2m on Wood House. The anticipated commencement of the build slipped from September to January 2017, due to the procurement process taking longer than expected. There were clarification questions from bidders and additional time was requested.
- Line 194: slippage of £1.4m on Stationers Place. The project has slipped due to delays in the procurement process and the clarification process needed additional time.
- Line 199: slippage of £822k on Able House. The project started on site 2 months later than expected, and is therefore expected to finish in 2017/18 rather than the end of 2016/17.
- Line 198: slippage of £1.3m on Swing Gate Lane. The project has been moved back 3 months.

10. Balances and Reserves

- 10.1 The Reserves Summary at Appendix D reflects the movements approved by Council in February 2017 and updated for the reserve movements as set out below.
- 10.2 In cases where reserves were to be drawn down in 2016/17 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down.
- 10.3 Variances over £30k on recommended reserve movements compared to the original budget and additional movements approved in year are as follows:
 - Management of Change Reserve - £37k increased drawdown. A drawdown of £40k for 2 years (2015/16 and 2016/17) was budgeted towards the management of a community centre at Woodhall Farm. A timing difference in the payments to the community centre led to a reduced drawdown of £3k in 2015/16, and an increased drawdown of £77k for 2016/17. Overall the agreed amount of £80k will be funded over the 2 year period.
 - Management of Change Reserve – £84k reduced drawdown. A drawdown of £100k was budgeted to be drawn down to fund the costs of digitisation of data in the Planning Service. Stage payments are being made to the contractor after completion of each stage of work. A drawdown of £16k will be required to fund expenditure in 2016/17, with the balance being required in 2017/18.
 - Local Development Framework reserve - £66k reduced drawdown. A drawdown of £332k was budgeted to fund planned expenditure in 2016/17, however only £266k is required, with the balance being required in 2017/18.
 - Planning & Regeneration Project Reserve - £38k reduced drawdown. A drawdown of £40k was budgeted to be drawn down towards revenue costs of the Water Gardens project. Due to delays in the scheme, £2k is required in 2016/17 with the balance of £38k being required in 2017/18.

- Planning Enforcement and Appeals Reserve - £50k drawdown. Legal costs of £50k have been incurred in upholding decisions made by the Development Control Committee. These costs can be met from the Planning Enforcement and Appeals Reserve, in accordance with its terms of use. This assists in stabilising the financing of fluctuating annual costs of planning appeals.
- Litigation Reserve - £66k drawdown. Legal costs of £66k have been incurred in Regulatory Services relating to complex legal cases that the council is currently involved in. These costs can be met from the Litigation Reserve, in accordance with its terms of use.
- Maylands Plus Reserve - £77k 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 2016/17 the centre generated a surplus of £77k, before recharge of support costs, through increased income and reduced running costs.

10.4 Appendix A shows that after the above reserve movements are made there will be an increase to the General Fund Working Balance of £1.158m. In February 2017, Cabinet approved the strategy of maintaining the General Fund Working Balance at £2.5m. It is therefore recommended that the surplus of £1.158m is transferred to earmarked reserves as follows:

- Management of Change Reserve – increase the reserve by £450k. The Council's MTFS demonstrates that the Council still faces significant savings targets in the medium term. Achieving these targets whilst maintaining front-line services will require the Council to continue investing in new, more efficient ways of working that generate ongoing revenue savings. The Management of Change reserve supports the Council to meet the costs associated with these initiatives.
- Capital Development Reserve – increase the reserve by £500k. In pursuit of the revenue savings identified within the MTFS, the Council continues to explore initiatives capable of generating revenue savings/income whilst simultaneously enhancing the borough for its residents. Examples of such initiatives are the creation of a Development Company to increase the supply of good quality housing across the borough; reviewing options for further development of leisure assets; the delivery of a multi-storey car park; and the delivery of further temporary accommodation premises to relieve housing pressures.

These are major capital projects which attract significant feasibility and design costs upfront, before giving a return on investment. It is recommended that a Capital Development reserve is created to contribute towards the financing of these costs.

- On Street Car Parking Reserve – increase by £208k. This reserve is used to fund the costs associated with parking initiatives put in place by the council to relieve pressure on parking across the borough. Based on average levels of expenditure over the last 5 years, an annual amount of £40k is required.

10.5 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.

10.6 Expenditure in 2017/18 which requires funding from reserves

New government legislation came into force in March 2017, which requires local planning authorities to prepare and maintain registers of brownfield land. This is previously developed land which may be suitable for housing. The aim of this work is to increase the number of suitable sites that are developed for housing. This will cost £100k over 2017/18 and 2018/19.

Corporate Health and Safety are working with the Council's senior management team to highlight and implement improvements in Health and Safety systems across a range of areas. In order to facilitate this, additional temporary resource will be required to carry out the business as usual tasks. This will cost £50k in 2017/18.

A supplementary estimate will be requested in the Quarter 1 report of 2017/18 to fund these initiatives.