



<b>Report for:</b>	<b>Strategic Planning and Environment Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>20 June 2017</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Provisional Outturn 2016/17</b>
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>Authors: David Skinner, Assistant Director (Finance &amp; Resources) Richard Baker, Group Manager (Financial Services)</p> <p>Contact: James Deane, Corporate Director (Finance &amp; Operations)</p>
Purpose of report:	<p>To provide details of the provisional outturn position for the:</p> <ul style="list-style-type: none"> <li>· General Fund</li> <li>· Capital Programme</li> </ul>
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 MTFS – Medium Term Financial Strategy

## 1. Executive Summary

1.1 The contribution to the earmarked reserves, as shown in paragraph 3.5, is £1.158m. This budget surplus 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.

1.4 General Fund Capital spending is broadly on track with rephasing limited to 11.5% of the budget and consistent with forecasts made at Quarter 3.

1.5 In line with the policy of maintaining the General Fund working balance at £2.5m the surplus has been moved to earmarked reserves as per the recommendation to Cabinet 23<sup>rd</sup> May as shown in paragraph 7.1 and is broken down as follows:

- Contribution to Management of Change reserve £450k
- Contribution to Capital Development Reserve £500k
- Contribution to Parking Reserve £208k

## 2. Introduction

1.1 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
- Capital Programme

1.2 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).

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

Amendments	£000	Approved
<b>2016/17 Original budget</b>	<b>16,946</b>	
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
<b>2016/17 Current Budget</b>	<b>16,173</b>	

- 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 5 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%
<b>Total</b>	<b>16,173</b>	<b>15,371</b>	<b>(802)</b>	<b>-5.0%</b>
Non-controllable budgets	(9,913)	(9,966)	(53)	0.5%
Earmarked Reserve movements	(6,260)	(6,563)	(303)	4.8%
<b>Contribution (to)/from General Fund Working Balance</b>	<b>0</b>	<b>(1,158)</b>	<b>(1,158)</b>	

### 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 reserves of £1,158k are as follows:

<b>Budget Monitoring Quarter 3 - variance against GRF working balances</b>	<b>(262)</b>
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
<b>Budget Monitoring Quarter 4 - variance against GRF working balances</b>	<b>(1,158)</b>

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

#### 4. 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%
	<b>7,107</b>	<b>6,933</b>	<b>(174)</b>	<b>-2.4%</b>

##### 4.1 Key Changes between periods

The forecast position at quarter 3 was a pressure of £81k. The Provisional Outturn shows a surplus of £173k. A summary of the changes between periods, which make up the movement of £254k is shown below:

<b>Budget Monitoring Quarter 3 variance</b>	<b>81</b>
Planning Income - underachievement forecast at Quarter 3	(190)
Waste Services income - additional income	(130)
Insurance costs	125
Reduction in overspend forecast against Employees budgets	(112)
Other minor items	(28)
<b>Budget Monitoring Quarter 4 variance</b>	<b>(254)</b>

##### 4.2 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.

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

Over-achievement of income of £240k – In Waste Services a surplus of £180k 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.

Within this over-achievement is a deficit on Commercial Waste income of £100k. This is offset by a reduction in expenditure in 2 areas: firstly efficiencies achieved in the round structure have led to lower than budgeted expenditure in Employees costs of £55k; secondly there are savings of £45k in the Supplies and Services category from lower than budgeted waste disposal costs. The net position for Commercial Waste is therefore in line with the budget overall.

## **5. Non-Controllable Expenditure and Corporate Items**

- 3.8 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.

- 3.9 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.

## **6. Capital Programme**

- 3.10 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.

	<b>Current Budget</b> £000	<b>Provisional Outturn</b> £000	<b>Rephasing</b> £000	<b>Variance</b>	
				£000	%
Strategic Planning & Environment	6,765	5,618	(779)	(368)	-5.4%
<b>G F Total</b>	<b>6,765</b>	<b>5,618</b>	<b>(779)</b>	<b>(368)</b>	<b>-5.4%</b>

Key changes between periods – General Fund

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

	<b>Rephasing</b> £'000	<b>Variance</b> £'000
<b>Budget Monitoring Quarter 3 - GRF Capital variance against budget</b>	<b>(831)</b>	<b>191</b>
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 - at Q3 accelerated spend of £30k expected, but year end position is slippage of £81k	(111)	
Other changes	(167)	32
<b>Budget Monitoring Provisional Outturn - GRF Capital variance against budget</b>	<b>(779)</b>	<b>(368)</b>

3.12 General Fund Major Variances

There is an overall underspend of £1.15m on the General Fund. This is a combination of underspend of £368k, and slippage of £779k (12%) into 2017/18.

The net underspend of £368k includes:

- 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 £779k includes:

- Line 144: slippage of £100k on Hemel Sport Centre renew heat and power system. 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 delays in the street furniture project.

#### **4. Balances and Reserves**

7.1 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 has therefore been 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.