

## PROVISIONAL OUTTURN REPORT FOR THE YEAR ENDING 31 MARCH 2018

**Cabinet Member:** Councillor David Watson

**Wards Affected:** All

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### PROPOSED DECISION

That:-

- 1.1. the provisional outturn position for both Revenue and Capital for 2017/18 be considered;
- 1.2. the Cabinet approve the movement in reserves as set out in paragraph 4.3.3 of this report;
- 1.3. the Cabinet approve the net surplus of £0.110m transferred to General reserves as set out in paragraph 4.4 of this report;
- 1.4. Cabinet approve in line with prior year accounting, the unused New Homes Bonus funding of £1.445m transferred to the Development Reserve;
- 1.5. the Cabinet approve the carry forwards on the capital programme outlined in paragraph 7.1 and set out at Appendix C; and
- 1.6. the Cabinet approve the virement for capital schemes detailed in paragraph 7.2.5.

That Cabinet note:

- 1.7. As part of the accounting entries for the pension contribution upfront payment, £0.240m has been transferred to pension equalisation reserve.

### 2. Reason for Decision

- 2.1. The Cabinet approves a budget each year within the context of a Medium Term Financial Plan (MTFP) to achieve the Council's priorities. This report updates Cabinet members on the provisional financial outturn for 2017/18. 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 31 May 2018. The Statement of Accounts must be published by 31 July, following an audit undertaken by Ernest & Young.
- 2.2. The purpose of this report is to outline the Provisional Outturn for 2017/18, prior to the closure of the accounts. The provisional outturn position is summarised in the main body of the report supported by further details in following appendices:
  - Appendix A - Efficiency savings
  - Appendix B - Repairs and Renewals expenditure
  - Appendix C- Capital Programme (Part II)
- 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 9 July 2018 if there are any material variances. The Audit committee will receive the Final Outturn position as part of narrative reporting within the Statement of Accounts at its meeting of 26 July 2018.

## Corporate Implications

- The financial implications are set out in the report.
- Under the Local Government Act 2003, the Chief Financial Officer is required to report on the robustness of the budget. This monitoring report is part of the Council's financial framework which supports this wider responsibility.
- The main budgetary risks to the Council have been reviewed as part of this report.

### 3. Executive Summary

3.1. This report sets out the Council's financial position as at year end 31 March 2018. The Cabinet report reflects what has been reported to Senior Management Board.

3.2. The revenue outturn position of the Council is a favourable variance of £0.110m as summarised in the table below. Further analysis is provided in section 4 of this report :

Summary	2017/18 Revised Budget	2017/18 Actual	Variance 2017/18
	£m	£m	£m
Net Cost of Service	18.036	16.806	-1.230
Technical Items	-4.212	-3.099	1.113
Funding	-13.824	-13.817	0.007
<b>Total</b>	<b>0.000</b>	<b>-0.110</b>	<b>-0.110</b>

#### Net Cost of Service

3.3. The favourable position for the Net Cost of Service is mainly due to additional income of £2.057m offset by an overspend on expenditure of £0.821m. An assessment of the sustainability of the additional income and the impact of overspend in future years will be carried out as part of the work in updating the Medium term Financial Plan for Cabinet consideration in July.

3.4. The main areas of additional income are as follows:

3.4.1. Planning £0.366m, due to a combination of increased activity and a nationwide 20% fee increase from January 2018. Additional income from Enforcement and Community Infrastructure Levy admin fees £0.092m and is included within the £0.366m.

3.4.2. Parking £0.244m, due to increase in activity for both daily charges and season tickets.

3.4.3. Unbudgeted income from waste contract penalties £0.226m. This has been transferred to reserve to fund project cost of contract renewal.

3.4.4. Additional sports and leisure income £0.150m

3.4.5. Additional grant income of £0.563m for Homeless Prevention, Housing Benefit administration, Discretionary Housing Benefit Payments and Elections. These grants, in part, offset increase in expenditure.

3.5. The main areas of overspend in expenditure are as follows:

3.5.1. Asbestos provision of £0.610m, further details are provided in paragraph 4.2.5.

3.5.2. Overspend of £573k on Employees costs resulting from vacancies being filled by agency and interim staff and also for additional work on specific projects such as Elections and Homelessness prevention.

3.5.3. There is a favourable variance of £0.305m on Housing Benefits resulting mainly due there being sufficient bad debt provision for overpayment debt.

#### **Technical Items**

3.6. The unfavourable variance is mainly due to accounting of depreciation, Minimum Revenue Provision charge, reduction in contribution from Repairs and Renewals reserve of £0.250m due to underspend on the programme and further contributions to reserves as detailed in paragraph 4.3.3. This is offset by investment income of £0.644m.

#### **Capital Programme**

3.7. Capital Programme is showing a favourable variance of £11.049m (as outlined in section 7). This in the main represents rephasing of £6.453m, underspend of £4.713m and other minor variances.

### **4. General Fund Revenue position**

4.1. The net revenue provisional outturn position as at 31 March 2018 is showing a favourable variance of £0.110m against a budget of £13.824m as summarised in the table on the next page.

Revenue Outturn Summary	2017/18 Revised Budget	2017/18 Actual	Variance 2017/18	Qtr 3 Variance
	£m	£m	£m	£m
Community	2.741	2.432	-0.309	-0.188
Environment	5.280	5.077	-0.203	-0.127
Economic Development and Regeneration	-3.962	-3.968	-0.006	0.119
Planning	1.386	1.111	-0.275	-0.153
HR, ICT and Customer Services	5.561	5.239	-0.322	-0.047
Housing	1.761	2.443	0.682	0.012
Leader	3.038	3.129	0.091	0.226
Finance and Resources	1.674	1.343	-0.331	-0.095
Contingency	0.557	0.000	-0.557	0.000
<b>Net Cost of Service</b>	<b>18.036</b>	<b>16.806</b>	<b>-1.230</b>	<b>-0.253</b>
Capital Charges:				
Depreciation & REFCUS	-2.383	-2.208	0.175	
Minimum Revenue Provision	0.000	0.188	0.188	
Investment Income	0.000	-0.644	-0.644	
Contribution to/(from) reserves	-1.938	-0.544	1.394	
Council Tax Support (Parishes)	0.109	0.109	0.000	
<b>General Fund Requirement</b>	<b>13.824</b>	<b>13.707</b>	<b>-0.117</b>	
<b>Funding Sources</b>				
Revenue Support Grant	0.635	0.635	0.000	
Business Rates Funding	3.125	3.125	0.000	
Transition Grant	0.084	0.077	-0.007	
New Homes Bonus Fund applied	0.875	0.875	0.000	
Council Tax - Demand on Collection Fund	8.862	8.862	0.000	
Council Tax - Share of Surplus	0.243	0.243	0.000	
<b>Total funding</b>	<b>13.824</b>	<b>13.817</b>	<b>-0.007</b>	
<b>Surplus for the year</b>	<b>0.000</b>	<b>-0.110</b>	<b>-0.110</b>	

#### 4.1.1. Community

The favourable variance of £0.309m is from various sources such as sports and leisure facilities and increased income and grant for CCTV services (£0.100m).

#### 4.1.2. Environment

This service ended the year with a favourable variance of £0.203m mainly due to an increase in volume of car parking income both for daily tickets (£0.163m) and season tickets (£0.032m) sales.

#### 4.1.3. Planning

A favourable variance of £0.275m, which is resulting from Planning fee income due to a combination of increased activity and a nationwide 20% fee increase from January 2018 totalling to £0.275m and an increase in CIL admin fee income of £0.092m. This is offset by overspend on employees costs for two new posts and increased enforcement costs.

#### 4.1.4. HR, ICT and Customer Services

The favourable variance of £0.322m in the main is in respect of £0.079m being recharged to capital schemes, Telephony replacement, VDI infrastructure and Laptop refresh and an unspent Repairs and & Renewals programme £0.250m as detailed in paragraph 6.9 and Appendix B.

#### **4.1.5. Housing**

Overspend of £0.682m is mainly due to a provision of £0.610m in respect of housing asbestos works for which the Council has legal obligations as part of the stock transfer in 2011. The Council has indemnified Red Kite for the costs of reasonable and properly incurred asbestos works; provided that the indemnity will not apply to the first £1.1m of works.

In addition there was an overspend on repairs at Saunderton Lodge of £0.035m and a top up of the bad debt provision for Housing rent deposits of £0.021m.

#### **4.1.6. Leader**

This service is showing an adverse variance of £0.091m resulting mainly from some interim employees cost offset by minor additional income.

#### **4.1.7. Finance**

The favourable variance £0.331 is resulting from lower salary costs of £0.190m due to various vacancies, offset by cost of agency staff of £0.245m. Higher additional admin grant for Housing Benefit and Council Tax work of £0.070m. £0.107m higher costs for remote processing of Housing Benefit payments which is funded by additional admin grant and savings in salaries. Savings on Insurance Premiums due to renegotiation of Insurance contracts of £0.085m.

The provision for bad debt in respect of Housing Benefit Overpayments is sufficient following detailed analysis of aged debt, therefore no additional provision has been made during 17/18, resulting in a favourable variance of £0.305m.

#### **4.1.8. Contingency**

From a contingency budget of £0.650m only £0.093m was drawn down, resulting in a favourable variance of £0.557m which has not been reported during the course of the year. The contingency was held for unforeseen events and has helped to offset some of the costs of interim senior staff during the year who were covering vacancies while permanent recruitments were found.

## **4.2. Technical items**

### **4.2.1. Capital Charges – This is represented by:**

**4.2.1.1. Depreciation and Revenue Expenditure Funded from Capital Under Statute –** The adverse variance of £0.175m is due to a review in presentation of the costs for Higginson Park Trust as a result of making the accounting more transparent.

**4.2.1.2. Minimum Revenue Provision (MRP) –** The adverse variance of £0.188m is due to change in the accounting of the MRP.

**4.2.2. Investment Income –** The favourable variance on Investment income of £0.644 is due to change in the accounting of the income earned from the Council's average cash portfolio of £80m. The average return for the year was 0.73%. A detailed report on Treasury activity is as a separate item on the agenda.

**4.2.3. Contribution to/from Reserves** – This comprises of three main items as detailed below:

**4.2.3.1. Approved by Cabinet & Council in February 2017:** The pension deficit payment of £1.223m which most of this was funded from the Revenue Development Reserve (£1.075m); The repairs and renewals programme which had an underspend of £0.250m as detailed in Appendix B is funded from reserve.

**4.2.3.2. Accounting:** In line with previous years accounting the income from treasury activity of £0.644m has been transferred to Development Reserve.

**4.2.3.3. New Reserves:** Due to sufficient General reserves, it is proposed to set aside, £0.300m to establish a Management of Change reserve and £0.200m for a Capital Feasibility reserve as detailed below:

4.2.3.3.1. Managed Change Reserve (£0.300m)

The Council's MTFP demonstrates that the Council still faces significant savings targets in the medium term alongside the uncertainty of any implication of Modernising Local Government (MLG). Achieving these targets and any impact of MLG 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.

4.2.3.3.2. Capital Feasibility Reserve (£0.200m)

In pursuit of the revenue savings identified within the MTFP, the Council continues to explore initiatives capable of generating revenue savings/income whilst simultaneously enhancing the district for its residents. 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 Feasibility reserve is created to contribute towards the financing of these costs.

#### **4.3. Net Surplus**

The Cabinet at its meeting on 6<sup>th</sup> February 2017 approved the minimum level of the General Fund Working Balance to be £7.5m. The Council holds a general fund balance of £9.738m which represents 70% of the council's budget requirement for 2017/18 (£13.824m). It is proposed that the net surplus of £0.110m to be transferred to the general reserve bringing the year-end balance to £9.848m.

#### **5. Movement on Outturn forecast from Quarter 3**

5.1. The forecast outturn position for the Net Cost of Service reported to Cabinet at quarter 3 was a favourable variance of £0.253m. This position has increased by further £0.977m resulting in the total outturn variance for net cost of service of £01.230m. A summary of the main changes to services forecast outturn are detailed in the table below:

	£m
<b>Net Cost of Services as at quarter 3</b>	<b>-0.253</b>
<b>Community</b> - Additional CCTV income & Parks rental income	-0.088
<b>Environment</b>	
Additional income from car parking and enforcement	-0.049
Additional income from special waste collection	-0.065
<b>Finance</b> - Unused Housing Benefit bad debt provision budget	-0.305
<b>Leader</b> - Underspends on communication budgets, additional grant and forecast overspend on employees cost reduced in quarter 4.	-0.149
<b>Housing</b>	
Provision for Asbestos works	0.610
Increase in Housing deposits bad debt provision	0.021
<b>Planning</b> - ncrease in Planning income from increase in applications and 20% fee increase	-0.121
<b>HR, ICT and Customer Services</b>	
Recharge of staff time to capital projects	-0.079
One off cost of contract renewal for payment system	0.065
<b>Estates and Economic Dev</b> - Forecast overspend on premises related costs reduced in qtr 4	-0.070
<b>Corporate &amp; Technical items</b>	
Underspend on Contingency	-0.557
Other minor variances across all services	0.118
<b>Net Cost of Services for Provisional Outturn</b>	<b>-0.922</b>
Investment Income	-0.636
Capital Accounting	0.328
<b>Surplus for the Year</b>	<b>-1.230</b>

## 6. Subjective Outturn

Revenue Outturn Summary	2017/18 Revised Budget	2017/18 Actual	Variance 2017/18
	£m	£m	£m
<b>Income</b>			
Fees & Charges	-16.082	-17.367	-1.286
Grant Income	-47.232	-45.760	1.473
<b>Total Income</b>	<b>-63.314</b>	<b>-63.127</b>	<b>0.187</b>
<b>Expenditure</b>			
Employees	13.157	13.738	0.581
Premises Related Expenses	3.755	3.709	-0.046
Supplies and Services	15.990	16.279	0.289
Housing Benefit Payments	45.688	43.443	-2.244
Capital Charges	2.760	2.764	0.004
<b>Total Expenditure</b>	<b>81.350</b>	<b>79.933</b>	<b>-1.417</b>
<b>Net Cost of Service</b>	<b>18.036</b>	<b>16.806</b>	<b>-1.230</b>

6.1. The main reasons for variances are detailed below:

### 6.2. Fees & Charges (Car Parking, Planning and Rental Income)

A total favourable variance of £1.286m is summarised below:-

- Additional car parking income of £0.195m due to increase in sales.
- Planning fee income of £0.274m due to an increase in planning applications and fee increase of 20% from January 2018.
- £0.092 additional CIL admin income.
- £0.106m from dangerous structures which is offset by additional expenditure.
- Unbudgeted income from waste contract for historical penalties going back to the commencement of the contract with Serco of £0.229m, this has been transferred to a reserve. Increased sales on the Waste client site of £0.065m from increased special collections.
- Unbudgeted income from CCTV of £0.079m due to increase in service provision.
- £0.069m from backdated rent for renegotiated leases in the Parks service. £0.053m from unbudgeted items within Community.
- £0.060m on estates rent income due to rental renegotiations.
- Recharges of staff time to capital projects £0.121m

### 6.3. Grant Income

The unfavourable variance of £1.473 is mainly due to less housing benefit payments leading to reduction in Housing Subsidy Grant of £2.036m, this represent approximately 4.5% of the grant budget. This is offset by additional grant income most of which are ring fenced for specific services and therefore offset by increase in expenditure. £0.247m in respect of Elections, £0.037m for the Prevent Programme, £0.092m homelessness prevention, £0.071m Housing Benefit grant for welfare changes and £0.116m in respect of Discretionary Housing Benefit Payments.



Overspend of £0.581m resulting from vacancies being filled by agency and interim staff. Additional work on Elections and Homelessness prevention both of which were funded from grant income.

#### **6.4. Premises Cost**

This is showing a small favourable variance of £0.046m. Some of the material variances were due to business rates revaluations, unbudgeted repairs of Public conveniences and rent for polling station funded from grant. The overspend is in part offset by favourable variance on electricity, water and visitor centre running costs.

#### **6.5. Supplies & Services**

This is showing an overspend of £0.289m due to additional provision of £0.610m set aside to fund the contractual obligation for asbestos claim from Redkite. Additionally, there are overspends on Housing Benefit processing, Election expenses, Housing prevention work, dangerous structures and additional cost on car parks vandalism. This is offset by savings on insurance premiums of £0.085m. In addition to this only £0.093m was drawn down from the contingency budget of £0.650m, resulting in a favourable variance of £0.557m which has not been reported during the course of the year. The provision for bad debt in respect of Housing Benefit Overpayments is sufficient following detailed analysis of aged debt, therefore no additional provision has been made during 17/18, resulting in a favourable variance of £0.305m.

#### **6.6. Housing Benefit**

There were less benefit payments, offset by reduction in Grant.

#### **6.7. Efficiency Plan Savings**

As at year end the final position for achieving savings and additional income is £1.077m against the net approved savings and income of £1.282m. The unfavourable position of £0.205m is mainly resulting from delays in generating income from investment properties. Please see Appendix A for further details.

#### **6.8. Repairs & Renewals**

The expenditure on the repairs of the Council property assets was £0.613m compared to the budget of £0.863m. The main reasons for favourable variance is the contingency for feasibility work is not anticipated to be utilised. There is also a commitment at year end of £0.049m for which the funding will be drawn from the reserves in 2018/19 when the actual work is carried out. As this expenditure is funded from the Earmarked reserves, any unspent budgets will not be carried forward. Appendix B provides further details.

### **7. Capital Programme**

7.1. The actual spend on the capital programme is £11.787m against a total programme of £22.836m resulting in a variance of £11.049m as summarised in the table on the following page.

7.2. The total variance of £11.049m represents re-phasing, advance funding, underspends and overspends with the reasons for significant variances analysed below. A detailed analysis is provided in Appendix C to this report:-

Portfolio	Total 17/18 Budget	Total 17/18 Spend	Variance	Variance Analysis:			
				17/18 C/fwd	Advanced Funding from 18/19	Saving	Overspend
				£m	£m	£m	£m
Community	£0.169	£0.118	£0.051	-£0.023	£0.000	-£0.028	£0.000
Economic Development & Regene	£13.075	£4.158	£8.917	-£4.608	£0.110	-£4.543	£0.124
Planning & Sustainability	£3.682	£2.896	£0.786	-£0.747	£0.003	-£0.045	£0.003
Housing	£2.445	£2.437	£0.008	-£0.009	£0.000	£0.000	£0.001
Leader	£0.033	£0.000	£0.033	-£0.008	£0.000	-£0.025	£0.000
HR, ICT & Customer Services	£1.030	£1.008	£0.022	£0.000	£0.000	-£0.022	£0.000
External Bodes - s106 & CIL	£2.402	£1.166	£1.236	-£1.169	£0.000	-£0.067	£0.000
<b>Total Programme</b>	<b>£22.836</b>	<b>£11.783</b>	<b>£11.053</b>	<b>-£6.564</b>	<b>£0.113</b>	<b>-£4.730</b>	<b>£0.128</b>

**7.2.1. Rephasing £6.564m** – This column refers to projects where expenditure is still expected to be incurred, but will now be in 2018/19 or future years. This mainly represents major project programme where several stakeholders are involved resulting into delays in execution of the projects; Regeneration Fund which is utilised as and when the opportunity arises and contribution to a third party scheme, the timing of which we have little control over. This reflects over 50% year on year improvement in the delivery of projects. Some of the schemes included for rephasing are Baker Street Phase 1, 3 and Public Realm works totalling to £1.286m; Handy Cross £0.775m; Hughenden quarter £0.608m; Regeneration Fund £0.573m; Eastern Quarter £0.204m and various schemes funded from Community Infrastructure Levy and S106 totalling to £1.916m.

**7.2.2. Advance funding £0.113m** – This is mainly in respect of investment property acquisition where the balance will be funded from the 2018/19 budgets.

**7.2.3. Under spend £4.730m** – This represent two scheme in the main one of which was acquisition worth £3.250m which is no longer going ahead and cost of car parking provision worth £1.000m which is now being provided by Marlow club.

**7.2.4. Over spend £0.128m** – This relates to overspend on consultants fees for two major projects.

**7.2.5.** The following virements are proposed for approval

From	To	Amount £m
Acquisitions	Regeneration Fund	0.112
Re-making the river Wye in High Wycombe	HWTC Masterplan - Alternative Route	0.050
<b>Total</b>		<b>0.162</b>

## 8. Sustainable Community Strategy / Council Priorities - Implications

8.1. This report supports delivery of sustainable community strategy and council priorities.

### Background Papers

Revenue Budget and Council Tax setting 2017-18 to February 2017 Cabinet and Major Project Programme to March 2017 Cabinet