

# Report to the Resources Select Committee

**Date of meeting: 14 July 2015**

**Portfolio: Finance**

**Subject: Provisional Revenue Outturn 2014/15.**

**Responsible Officer: Peter Maddock (01992 564602)**

**Democratic Services Officer: Adrian Hendry (01992 564246).**



---

## Recommendations/Decisions Required:

- (1) That the provisional 2014/15 revenue out-turn for the General Fund and Housing Revenue Account (HRA) be noted;
- (2) That as detailed in Appendix D, the carry forward of £575,000 District Development Fund expenditure be noted ; and
- (3) That the carry forward of £67,000 HRA Service Enhancement Fund expenditure be noted;

## Executive Summary

This report provides an overall summary of the revenue outturn for the financial year 2014/15.

### Reasons for proposed decision:

To note the provisional revenue outturn.

### Other options for action:

No other options available.

## General Fund

1. The table below summarises the revenue outturn for the Continuing Services Budget (CSB) of the General Fund and the consequential movement in balances for 2014/15.

	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
<b>General Fund</b>					
Net Expenditure after Adjustments (CSB)	13,784	14,324	14,547	763	223
Government Grants and Local Taxation	13,541	13,831	13,983	(442)	(152)
(Contribution to)/from Balances	243	493	564	321	71
Opening Balances – 1/4/14	(9,884)	(9,884)	(9,884)	-	-
(Contribution to)/from Balances	243	493	564	321	71

<b>General Fund</b>	<b>Original Estimate £000</b>	<b>Revised Estimate £000</b>	<b>Actual Expend £000</b>	<b>Variance from Original £000</b>	<b>Variance from Revised £000</b>
<b>Closing Balances – 31/3/15</b>	<b>(9,641)</b>	<b>(9,391)</b>	<b>(9,320)</b>	<b>321</b>	<b>71</b>

2. Net expenditure (CSB) for 2014/15 totalled £14.547 million, which was £763,000 (5%) above the original estimate and £223,000 (1.5%) above the revised. When compared to a gross expenditure budget of approximately £74 million, the variances can be restated as 1% and 0.3% respectively.

3. There were also improvements in the funding position as this shows an increase of £152,000 when compared to the revised position, however this is not the full story as movements between the Collection Fund (where Council Tax and Business Rates are accounted for) and the General Fund are governed by specific regulations. There were a number of changes in small business and other rate reliefs that were not taken account of when the Non-domestic rates baseline was originally set. The Government are reimbursing councils general funds for this loss and this income, known as section 31 income, was higher than budgeted. Also because the Council's share of the business rate income exceeded the baseline a levy has become due to Central Government.

4. The Collection Fund is an account that holds income relating to this Authority as well as the major preceptors. These are Essex County Council, the Police and Fire Authorities. These authorities notify this Council of their funding requirement from the collection fund and as a result a precept is paid to this Councils General Fund and the major preceptors. To ensure a degree of certainty these figures are fixed in advance of the start of the financial year. Any reductions in income, for example successful appeals on Business Rates assessments, do not affect the General Fund in the year that they occur, rather they affect future years when the Collection Fund deficit that is created has to be made up by both the General Fund and Major Preceptors.

5. The in year deficit on the business rates collection fund was relatively small and the main factor creating this is the provision to cover future rating appeals that has to be made. To calculate this has required an assessment of the likelihood or otherwise of outstanding appeals being successful. Needless to say there is a significant degree of uncertainty surrounding this process and the value put on the provision for appeals is an estimate based on the most up to date information available at this time. The larger the provision for appeals being made the larger the deficit on the fund created.

6. The Councils portion of the Business Rates collection fund deficit at the end of March 2015 was some £419,000 which will need to be paid back over the next two years, thus adversely affecting the future funding available to the General fund.

7. An analysis of the changes between Continuing Services Budget (CSB) and District Development Fund (DDF) expenditure illustrates where the main variances in revenue expenditure have occurred.

<b>General Fund</b>	<b>Original Estimate £000</b>	<b>Revised Estimate £000</b>	<b>Actual Expend £000</b>	<b>Variance from Original £000</b>	<b>Variance from Revised £000</b>
Opening CSB	14,654	15,413	15,598	944	185
In Year Growth	379	752	692	313	(60)
In Year Savings	(1,249)	(1,841)	(1,743)	(494)	98

	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
<b>General Fund</b>					
<b>Total Continuing Services Budget</b>	<b>13,784</b>	<b>14,324</b>	<b>14,547</b>	<b>763</b>	<b>223</b>
DDF – Expenditure	2,458	2,530	2,207	(251)	(323)
DDF – One Off Savings	(595)	(1,408)	(1,958)	(1,363)	(550)
<b>Total DDF</b>	<b>1,863</b>	<b>1,122</b>	<b>249</b>	<b>(1,614)</b>	<b>(873)</b>
<b>Total Net Expenditure</b>	<b>15,647</b>	<b>15,446</b>	<b>14,796</b>	<b>(851)</b>	<b>(650)</b>

#### Continuing Services Budget

8. CSB expenditure was £763,000 above the original estimate and £223,000 higher than the revised. Variances have arisen on both the opening CSB and the in year figures. The opening CSB is £185,000 higher than the revised estimate and the in year figures, £38,000 higher than the revised estimate.

9. Unlike last year, when measured against the Original Budget, salaries were underpent by £109,000. Actual salary spending for the authority in total, including agency costs, was some £20.513 million compared against an original estimate of £20.622 million. All of this underspend fell on the General Fund and was within Neighbourhoods and Governance. The HRA salaries were marginally overspent. A vacancy allowance of 1.5% was included in the budget reducing from 2.5% allowed for in the previous year in the event vacancies were around 2%. When comparing to the Revised Estimate there was a General Fund underspend of around £103,000.

10. The main movement between the Original estimate and the Revised and Actual position was the creation of the spend and save reserve which has moved £500,000 from the General Fund Balance into an earmarked reserve set up to fund any initial costs required to achieve on-going CSB savings. The fund will operate in a similar way to the District Development Fund (DDF) in that there will be the ability to move budgetary provision money between years as necessary. 2015/16 will be the first year of operation for this Fund.

11. There was an additional amount added to the General Fund Bad & Doubtful debts provision as a number of uncollectable debts were written off including money relating to the old non-domestic rates regime which has now become part of the new regime.

12. The original in year CSB savings figure of £870,000 became an in year savings figure of £1,089,000. There were a number of items added during 2014/15 these included; savings on the refuse contract (£144,000), additional Development Control and Pre-Application income (£120,000), additional rents from shops (£73,000) and a reduction in external Audit fees (£35,000). The level of savings on the waste contract fell short by £81,000 the other three items turned out broadly as expected. Offsetting this was lost income from the market at North Weald Airfield where a further £310,000 was removed from the ongoing budget. Due to the popularity of the market continuing to decline, members agreed to reduce the weekly rent payable by the market operator rather than risk seeing the market cease altogether. There is concern that despite the actions taken income will fall even further and the future use of the site will need to be reviewed. Full details of items within the CSB growth figures can be found at appendix A.

#### District Development Fund

13. Net DDF expenditure was expected to be £1,863,000 in the original estimate and £1,122,000 in the revised estimate. In the event the DDF showed net expenditure of £249,000. This is £1,614,000 below the original and £873,000 below the revised. There are requests for carry forwards totalling £575,000 these are detailed on Appendix D. These one-

off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised estimate.

14. As spending is £873,000 below the revised estimate but carry forwards of £575,000 have been requested, a net underspend of £298,000 is shown in Appendix B.

15. The DDF reduced between the Original and Revised position by some £741,000, this was mainly due to new items identified during 2014/15, the main items being additional housing Benefit overpayments and Council tax Benefit adjustments and grants (£326,000), additional Development Control income (£120,000), Income from shops (£78,000), slippage on the local plan budget (£91,000) and Building Maintenance (£46,000). As always there were a significant number of other more minor items of both additions and reductions to the programme full details are also shown at appendix B.

16. There were a number of items contributing to the underspend of £873,000, such as additional Development Control income over and above that allowed for previously (£103,000), A further receipt relating to the Heritable investment (£100,000), Slippage relating to Building Maintenance (£123,000), Asset rationalisation (£101,000), The transformation Programme (£75,000) and NEPP redundancies (£31,000) to name but a few. There are again a number of other variations that are highlighted in Appendix B.

17. Appendix C shows the overall position on the DDF with the balance as at 31 March 2015 being just short of £3.6 million and Appendix D lists the DDF items requested for carry forward.

### Housing Revenue Account

18. The table below summarises the revenue outturn for the Housing Revenue Account.

<b>Housing Revenue Account</b>	<b>Original Estimate £000</b>	<b>Revised Estimate £000</b>	<b>Actual Expend £000</b>	<b>Variance from Original £000</b>	<b>Variance from Revised £000</b>
Revenue Expenditure	14,019	14,001	13,513	(506)	(488)
Depreciation	13,231	12,480	12,941	(290)	461
<b>Total Expenditure</b>	<b>27,250</b>	<b>26,481</b>	<b>26,454</b>	<b>(796)</b>	<b>(27)</b>
Gross Dwelling Rents	31,815	31,631	31,585	220	46
Other Rents and Charges	2,450	2,457	2,410	40	47
<b>Total Income</b>	<b>34,265</b>	<b>34,088</b>	<b>33,995</b>	<b>270</b>	<b>93</b>
<b>Net Cost of Service</b>	<b>(7,015)</b>	<b>(7,607)</b>	<b>(7,541)</b>	<b>(526)</b>	<b>66</b>
Interest and Other Transfers	(402)	(395)	(521)	(119)	(126)
Interest Payable	5,532	5,529	5,558	26	29
Transfer from Major Repairs Reserve	(6,186)	(4,958)	(5,611)	575	(653)
<b>Net Operating Income</b>	<b>(8,071)</b>	<b>(7,431)</b>	<b>(8,115)</b>	<b>(44)</b>	<b>(684)</b>
<b>Appropriations</b>					
Capital Expenditure	5,700	5,200	5,200	(500)	-
Charged to Revenue					
Transfer to Self-Financing Reserve	3,180	3,180	3,180	-	-
Other	(2)	38	132	134	94

	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
<b>Housing Revenue Account Deficit/(Surplus) for Year</b>	<b>807</b>	<b>987</b>	<b>397</b>	<b>(410)</b>	<b>(590)</b>
Opening Balance – 1/4/14	(2,965)	(2,965)	(2,965)	-	-
Deficit/(Surplus) for year	807	987	397	(410)	(590)
<b>Closing Balance – 31/3/15</b>	<b>(2,158)</b>	<b>(1,978)</b>	<b>(2,568)</b>	<b>(410)</b>	<b>(590)</b>

19. A Deficit within the HRA of £807,000 and £987,000 was expected within its original and revised revenue budgets respectively, the actual outturn was a deficit of £397,000.

20. There were savings on Revenue Expenditure of £488,000 when compared to the revised position. These included reduced energy charges (£61,000), a lower addition to the provision for bad & doubtful debts (£67,000) and a reduction in rents rates and taxes (£43,000). There was also substantial slippage on the enhancement fund the balance on that fund now being £179,000.

21. Income from Dwelling and non-dwelling rents were down by £46,000 in total other charges by £47,000. The latter was lower than expected as the related expenditure was also lower.

22. The depreciation charge relating to HRA assets was £461,000 higher than expected. However the underspend showing on the row 'transfer from major repairs reserve' is related to this so only the difference between the two of £192,000 affects the bottom line of the HRA.

23. When HRA Self Financing was introduced it became clear that more money would be available for service improvements and enhancements. Each year an amount is allocated for service enhancement based on the likely funding available. There was an underspend on the programme last year and therefore £67,000 is requested for carry forward into 2015/16.

#### **Consultation undertaken:**

None

#### **Resource implications:**

Although the General Fund balance has reduced and there was an overspend the balance still exceeds £9 million and is well in excess of the target set in the Medium Term Financial strategy of 25% of net budget requirement.

The actual deficit on the HRA was less than expected and the balance is still over £2.5 million as at 31 March 2015.

#### **Legal and Governance Implications:**

Reporting on the financial outturn for the previous financial year is recognised as a key element of the Council's Governance Framework.

#### **Safer, Cleaner, Greener Implications:**

The Council's revenue budgets contain spending related to the Safer, Cleaner, Greener initiative.

#### **Background Papers:**

Final Accounts working papers held in Accountancy.

## **Impact Assessments:**

### Risk Management

This report is a key part in managing the financial risks faced by the Council.

### Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?  
None

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?  
N/A

.