

**Report to the Finance and Performance
Management Cabinet Committee**



**Epping Forest
District Council** 05-2018/19

Report reference: FPM-004-2018/19

Date of meeting: 21 June 2018

Portfolio: Finance

Subject: Provisional Revenue Outturn 2017/18

Responsible Officer: Peter Maddock (01992 564602)

Democratic Services Officer: Rebecca Perrin (01992 564532)

Recommendations/Decisions Required:

- (1) That the provisional 2017/18 revenue out-turn for the General Fund and Housing Revenue Account (HRA) be noted;**
- (2) That as detailed in Appendix E, the carry forward of £1,470,000 District Development Fund (DDF) and £23,000 Invest to Save Reserve (ITS) expenditure be noted.**

Executive Summary

This report provides an overall summary of the revenue outturn for the financial year 2017/18. The General Fund saw £487,000 being added to the opening balance compared to using £473,000 which was predicted in the revised estimate. Total net expenditure on the General Fund was £12,766,000, some £343,000 lower than the original estimate and £830,000 lower than the revised estimate, after allowing for a £1,000,000 transfer to the DDF. Expenditure from the DDF and ITS was £2,409,000 less than estimated.

The position on the Housing Revenue Account was £12,000 worse than anticipated.

Reasons for proposed decision:

To note the provisional revenue outturn.

Other options for action:

No other options proposed.

General Fund

1. The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2017/18.

General Fund	Original Estimate £000 A	Revised Estimate £000 B	Actual Expend £000 C	Variance from Original £000 C-A	Variance from Revised £000 C-B
Net Expenditure after Adjustments (CSB)	13,109	13,596	12,766	(343)	(830)
Government Grants and Local Taxation	13,009	13,123	13,253	(244)	(130)
(Contribution to)/from Balances	100	473	(487)	(587)	(960)
Opening Balances – 1/4/17	(6,207)	(6,207)	(6,207)	-	-
(Contribution to)/from Balances	100	473	(487)	(587)	(960)
Closing Balances – 31/3/18	(6,107)	(5,734)	(6,694)	(587)	(960)

Net expenditure for 2017/18 totalled £12,766,000, which was £343,000 (2.7%) below the original estimate agreed in February 2017 and £96,000 (7.5%) below the revised estimate compiled in December 2017. The variance on the revised position is almost entirely due to a change in accounting treatment relating to the rent free periods on the shopping park.

2. The funding position is less easy to establish since the part retention of business rates. Whilst like Council Tax the precept is set in advance, there are a number of grants provided to authorities under section 31 of the 2003 Local Government Act to offset costs as a result of the various business rate reliefs given. There is no way of knowing in advance how much this might amount to in any given year. Actual funding was up by £130,000 when compared to the revised position. Having said that 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. For example the amount counted as income to the General Fund for 2017/18 is based on an estimate made a year and a half ago and a lot has changed since then.
3. 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.
4. There was an in year surplus on the business rates collection fund of £1,115,000 which has moved the fund into an overall surplus of £1,028,000. There is still a significant amount set aside for Business Rate appeals and a re-assessment of the level of the provision required

was carried out during the final accounts process. 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 medium term financial strategy had estimated that the Council's portion of the deficit on the business rates collection fund would be £542,000 and on the council tax collection fund there would be a surplus of £192,000. In the event the business rates collection fund showed a surplus at the end of March 2018 of £411,000 and the Council Tax collection fund showed a surplus of £119,000 which will be paid into the General Fund in future years. The combined net position is £880,000 better than was anticipated. An analysis of the changes between Continuing Services Budget (on-going expenditure and Income (CSB)) and District Development Fund (One-off Expenditure and income (DDF)) expenditure illustrates where the main variances in revenue expenditure have occurred.

General Fund	Original Estimate £000 A	Revised Estimate £000 B	Actual Expend £000 C	Variance from Original £000 C-A	Variance from Revised £000 C-B
Opening CSB	13,567	13,277	13,529	(38)	252
In Year Growth	595	792	555	(40)	(237)
In Year Savings	(1,053)	(1,473)	(2,318)	(1,265)	(845)
Total Continuing Services Budget	13,109	12,596	11,766	(1,343)	(830)
Transfer to DDF	0	1,000	1,000	1,000	0
Total	13,109	13,596	12,766	(343)	(830)
DDF/ITS – Expenditure	2,932	3,818	2,758	(174)	(1,060)
DDF/ITS – One Off Savings	(832)	(1,395)	(2,691)	(1,859)	(1,296)
Total DDF/ITS	2,100	2,423	67	(2,033)	(2,356)
Total Net Expenditure	15,209	16,019	12,833	(2,376)	(3,186)

Continuing Services Budget

- CSB expenditure was £343,000 below the original estimate and £830,000 lower than the revised. The variances have arisen on both the opening CSB which was £252,000 above the revised estimate, and the in-year figures which were £1,082,000 lower than the revised estimate.
- Unlike most recent years, when measured against the original budget, salaries were overspent by £99,000. Actual salary spending for the authority in total, including agency costs, was £23,439,000 compared against an original estimate of £23,340,000. When comparing to the revised estimate there was an underspend of £301,000, most of which related to the General Fund, although some salary costs are DDF and this showed a small underspend.
- The actual opening CSB was £38,000 below the original and £252,000 above the revised

position. The main overspend relates to Housing Benefits expenditure but this was offset partially by the underspend on salaries.

9. The in year CSB movements were rather different to the revised estimate, with the actual CSB in year reduction of £1,763,000 being £1,082,000 lower than the revised estimate. The largest individual item was a change in accounting treatment for the rental income from the shopping park to that assumed in the revised estimate. In effect income relating to the whole period of the leases has been spread over the whole period rather than just the time when income is actually received. The effect is that additional CSB income originally included in later periods has been accounted for in 2017/18 and there will be no change to the overall position once all tenants are paying. The other two more significant items were a reduction in expected savings from the leisure contract of £106,000 due to some additional maintenance and TUPE related costs and offsetting this, additional interest income of £148,000 as cash balances available for investing did not reduce as quickly as expected. Full details of items within the CSB growth/savings figures can be found at appendix A.
10. A transfer to the DDF of £1,000,000 was included in the Medium Term Financial strategy and revised budget as there will be significant one off expenditure over the next couple of years as the people strategy is implemented.

District Development Fund

11. Net DDF expenditure was £968,000 which was £922,000 below the original estimate and £1,333,000 below the revised estimate. There are requests for carry forwards totalling £1,470,000 and therefore the variation actually equates to a £137,000 net over spend on the DDF items undertaken. 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 position. Details are shown in Appendix B.
12. The DDF increased between the Original and Revised position by £411,000, overall this was more significant than the previous year and as always there were some large swings on both income and expenditure. On the Income side additions relating to the technical agreement with major preceptors (£285,000) and various benefit related grants (£111,000). Offsetting this was an amount included for the People Strategy costs (£300,000), reduced Development Control income (£205,000), amounts brought forward from 2016/17 and additional resources provided for the Local Plan (£199,000), and an amount brought forward relating to the Garden Town project of £178,000. As always there were a significant number of other more minor items of both additions and reductions to the programme totalling £75,000. Full details are also shown at appendix B.
13. The £1,333,000 difference against the revised estimate arose largely in the neighbourhoods directorate with an underspend of £971,000 showing. The main two items relate to £272,000 slippage on Local Plan expenditure and £527,000 relating to additional income and slippage on the Garden Town project. Other significant underspends were, Revenues Staffing (£84,000), Building Maintenance (£83,000), unused Flexible Homeless Grant (£83,000) and Smart Places funding (£70,000). There are again a number of less significant other variations that are highlighted in Appendix B.
14. Carry forwards of £1,470,000 have been requested, with the largest request being £1,037,000 from the Neighbourhoods Directorate. The two largest amounts have already been mentioned above, being the £527,000 for the Garden Town and the £272,000 for the Local Plan. The directorate with the second highest carry forward is Resources, with a total of £219,000 again the two major items being mentioned above. Less significant carry forwards were also seen in the Communities Directorate (£110,000), Governance Directorate (£75,000) and the Office of Chief Executive (£29,000).

15. Appendix C shows the overall position on the DDF with the balance as at 31 March 2018 being £4,220,000, actually a small increase on the previous year. However with the expected spend in 2018/19 particularly relating to the people strategy, there will be nothing left unallocated in the DDF going forward so any further DDF requirements will need to be met via a transfer from the General Fund. Appendix E lists the DDF items requested for carry forward.

Invest to Save Reserve

16. Spending from the Invest to Save fund was £99,000, some £23,000 below the revised estimate of £122,000. However, carry forwards of £23,000 have been requested, including £13,000 for new car park set up costs. At the end of 2017/18 the fund had a balance of £307,000. Taking the funds already allocated in 2018/19 and the intention to use the remainder for transformation projects, the fund is expected to be exhausted by the end of 2018/19. The detail is shown in Appendix D and items for carry forward in Appendix E.

Housing Revenue Account

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

Housing Revenue Account	Original Estimate £000 A	Revised Estimate £000 B	Actual Expend £000 C	Variance from Original £000 C-A	Variance from Revised £000 C-B
Revenue Expenditure	28,293	26,339	27,683	(610)	1,344
Depreciation	16,026	9,786	8,517	(7,509)	(1,269)
Total Expenditure	44,319	36,125	36,200	(8,119)	75
Gross Dwelling Rents	31,813	31,537	31,511	302	26
Other Rents, Charges and Depreciation Reversals	10,832	3,024	3,113	7,719	(89)
Total Income	42,645	34,561	34,624	8,021	(63)
Deficit/(Surplus) for Year	1,674	1,564	1,576	98	12
Opening Balance – 1/4/17	(3,853)	(3,853)	(3,853)	-	-
Deficit/(Surplus) for year	1,674	1,564	1,576	98	12
Closing Balance – 31/3/18	(2,179)	(2,289)	(2,277)	98	12

A deficit within the HRA of £1,674,000 and of £1,564,000 were expected within its original and revised revenue budgets respectively; the actual outturn was a deficit of £1,576,000. There is therefore a difference of only £12,000 between the revised estimate and the actual.

18. The major change between the Original and Revised estimates was due to the cessation of the transitional measures regarding depreciation brought in when the Housing Subsidy system was ended. For five years the effect of charging depreciation directly to the HRA balance could be mitigated by a compensatory accounting adjustment equivalent to the Major Repairs Allowance that exists prior to 2012. The effect of this was broadly neutral to the HRA, hence the variance in excess of £7,500,000 shown to both income and expenditure in the original estimate. As a result the depreciation charge had to be reassessed, not only because of this but also due to the return to the decent homes standard. The change in the depreciation charge was, as expected, quite significant but more importantly means that the charge reduces the HRA balance without affecting the viability of the HRA going forward. The variance between the actual and revised is due to a lower still depreciation charge, which has in turn enabled the Council to increase the Contribution to capital by a similar amount.

19. The HRA starts the new financial year in a slightly better position than expected at £2,280,000. There is still significant uncertainty facing the HRA going forward with continued 1% rent reductions and the potential high value void levy.

Consultation undertaken:

None

Resource implications:

The General Fund was underspent by £960,000 meaning £487,000 was added to balances as opposed to £473,000 being taken from balances as was predicted in the revised estimate.

The deficit on the HRA was marginally higher than expected and the balance has now fallen to £2,277,000 as at 31 March 2018.

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 Impact Assessment

1. Under s.149 of the Equality Act 2010, when making decisions, Epping District Council must have regard to the Public Sector Equality Duty, ie have due regard to:
 - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
 - advancing equality of opportunity between people who share a protected characteristic and those who do not,
 - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
 - age
 - disability
 - gender
 - gender reassignment
 - marriage/civil partnership
 - pregnancy/maternity
 - race
 - religion/belief
 - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy or change.
6. Where this EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. **All Cabinet, Council, and Portfolio Holder reports must be accompanied by an EqIA.** An EqIA should also be completed/reviewed at key stages of projects.
8. To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:
 - Factsheet 1: Equality Profile of the Epping Forest District
 - Factsheet 2: Sources of information about equality protected characteristics
 - Factsheet 3: Glossary of equality related terms
 - Factsheet 4: Common misunderstandings about the Equality Duty
 - Factsheet 5: Frequently asked questions
 - Factsheet 6: Reporting equality analysis to a committee or other decision making body

Section 1: Identifying details

Your function, service area and team: **Finance**

If you are submitting this EqlA on behalf of another function, service area or team, specify the originating function, service area or team: **N/A**

Title of policy or decision: **Provisional Revenue Outturn 2017/18**

Officer completing the EqlA: **Tel: 01992 564602**
Email: pmaddock@eppingforestdc.gov.uk

Date of completing the assessment: **8th June 2018**

Section 2: Policy to be analysed

2.1	<p>Is this a new policy (or decision) or a change to an existing policy, practice or project? No</p>
2.2	<p>Describe the main aims, objectives and purpose of the policy (or decision):</p> <p>This report represents a financial summary of the projects within the Revenue Outturn for 2017/18</p> <p>What outcome(s) are you hoping to achieve (ie decommissioning or commissioning a service)?</p> <p>It aims to provide financial information on the Revenue Outturn for noting and to make recommendations to Council.</p>
2.3	<p>Does or will the policy or decision affect:</p> <ul style="list-style-type: none">• service users• employees• the wider community or groups of people, particularly where there are areas of known inequalities? <p>No</p> <p>Will the policy or decision influence how organisations operate?</p> <p>No</p>
2.4	<p>Will the policy or decision involve substantial changes in resources?</p> <p>The financial impacts are given in detail within the report.</p>
2.5	<p>Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes?</p> <p>The report summarises decisions previously approved.</p>

Section 3: Evidence/data about the user population and consultation¹

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, eg service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

3.1	What does the information tell you about those groups identified? N/A – this report focuses on financial provision. Any equalities impact assessment for individual projects or programmes is detailed on the respective reports.
3.2	Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision? N/A – see above.
3.3	If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary: N/A – see above.

Section 4: Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

Description of impact	Nature of impact Positive, neutral, adverse (explain why)	Extent of impact Low, medium, high (use L, M or H)
Age	Neutral. Any impacts on different age groups have been taken into account when the individual schemes were originally approved. As this report does not represent a formative stage in the approval of capital projects, it does not have any impact.	Low
Disability	Neutral for the reasons given above.	Low
Gender	Neutral for the reasons given above.	Low
Gender reassignment	Neutral for the reasons given above.	Low
Marriage/civil partnership	Neutral for the reasons given above.	Low
Pregnancy/maternity	Neutral for the reasons given above.	Low
Race	Neutral for the reasons given above.	Low
Religion/belief	Neutral for the reasons given above.	Low
Sexual orientation	Neutral for the reasons given above.	Low

Section 7: Sign off

**I confirm that this initial analysis has been completed appropriately.
(A typed signature is sufficient.)**

Signature of Head of Service: Derek MacNab	Date: 8 th June 2018
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Signature of person completing the EqIA: Peter Maddock	Date: 8 th June 2018
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Advice

Keep your director informed of all equality & diversity issues. We recommend that you forward a copy of every EqIA you undertake to the director responsible for the service area. Retain a copy of this EqIA for your records. If this EqIA relates to a continuing project, ensure this document is kept under review and updated, eg after a consultation has been undertaken.