

Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Report reference: FPM-004-2013

Date of meeting: 20 June 2013

Portfolio: Finance and Technology

Subject: Provisional Revenue Outturn 2012/13.

Responsible Officer: Peter Maddock (01992 564602)

Democratic Services Officer: Rebecca Perrin (01992 564532).

Recommendations/Decisions Required:

- (1) That the overall 2012/13 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 £836,000 District Development Fund expenditure be noted ; and
- (3) That the carry forward of £170,000 HRA Service Enhancement Fund expenditure be noted;

Executive Summary

This report provides an overall summary of the revenue outturn for the financial year 2012/13.

Reasons for proposed decision:

To note the provisional revenue outturn.

Other options for action:

No other options available.

Report

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 2012/13.

	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
General Fund					
Net Expenditure after Adjustments (CSB)	14,735	14,777	14,294	(441)	(483)
Government Grants and Local Taxation	14,748	14,748	14,748	-	-

General Fund	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
(Contribution to)/from Balances	(13)	29	(454)	(441)	(483)
Opening Balances – 1/4/12	(9,201)	(9,201)	(9,201)	-	-
(Contribution to)/from Balances	(13)	29	(454)	(441)	(483)
Closing Balances – 31/3/13	(9,214)	(9,172)	(9,655)	(441)	(483)

- Net expenditure (CSB) for 2012/13 totalled £14.294 million, which was £441,000 (3.0%) below the original estimate and £483,000 (3.3%) below the revised. When compared to a gross expenditure budget of approximately £83 million, the variances can be restated as 0.5% and under 0.6% respectively.
- 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.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	15,968	16,180	15,723	(245)	(457)
In Year Growth	233	365	490	257	125
In Year Savings	(1,466)	(1,768)	(1,919)	(453)	(151)
Total Continuing Services Budget	14,735	14,777	14,294	(441)	(483)
DDF – Expenditure	1,924	2,610	1,649	(275)	(961)
DDF – One Off Savings	(807)	(2,140)	(1,773)	(966)	367
Total DDF	1,117	470	(124)	(1,241)	(594)
Total Net Expenditure	15,852	15,247	14,133	(1,682)	(1,077)

Continuing Services Budget

- CSB expenditure was £441,000 below the original estimate and £483,000 lower than the revised. Variances have arisen on both the opening CSB and the in year figures. The opening CSB is £457,000 lower than the revised estimate and the in year figures, £26,000 lower than the revised estimate.
- In common with recent years salary savings make up a proportion of this saving. Actual salary spending for the authority in total, including agency costs, was some £19.092 million compared against an original estimate of £19.526 million. Much of the saving of £434,000 was attributable to Housing Services, Finance & ICT and Environment and Street Scene. The largest monetary saving relates to Housing so broadly half of the overall saving fell on the Housing Revenue Account (HRA) or Housing Repairs Fund rather than on the General Fund. The saving was lower than in 2011/12 (2.2% compared to 4.8%) however a sizeable amount of this saving was built into the Probable Outturn. The saving over and above the revised estimate amounted to £127,000,(0.7%) of which £76,000 related to the General Fund.
- There were a number of other CSB savings when compared to the revised, these include:

- (a) An underspend of £195,000 on Housing Benefits due in part to adjustments relating to past years and the identification of overpayments. In 2011/12 Housing Benefits staff created £1.1m in debts for Housing Benefit overpayments where as in 2012/13 the figure was in excess of £1.3m. This shows as additional income due to the Council and therefore reduces Housing Benefit Net Expenditure as a result. The Gross Expenditure on Benefits including Council Tax was £47m so even a small percentage variance, (in this case less than half of one per cent), can produce quite large figures in terms of under or overspend.
 - (b) Various savings on directorate admin and support budgets. (£96,000).
 - (c) Savings on Building Maintenance (£58,000)
 - (d) Some unspent monies relating to the Corporate Improvement and Training budgets (£34,000)
7. The original in year CSB savings figure of £1,233,000 became an in year savings figure of £1,403,000. The main reasons related to the savings on the waste management contract and the inclusion of the New Homes Bonus but this was offset to a degree by the decision to build the whole of the pension deficit payments into the CSB. Given that the capitalisation direction applied for in 2011/12 was refused this was considered the appropriate prudent step to take in the circumstances. In the event savings were slightly higher than the revised estimate at £1,429,000, full details of items within the CSB growth figures can be found at appendix A.

District Development Fund

8. Net DDF expenditure was expected to be £1,117,000 in the original estimate and £470,000 in the revised estimate. In the event the DDF showed net income of £124,000. This is £1,241,000 below the original and £594,000 below the revised. There are requests for carry forwards totalling £836,000 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.
9. As spending is £594,000 below the revised estimate but carry forwards of £836,000 have been requested, a net overspend of £242,000 is shown at the end of Appendix B. However, this has arisen due to the re-imburement of amounts relating to the Heritable bank deposits being incorrectly included in the revised estimates. These amounts reduce the outstanding amount due on the balance sheet and should not have been shown as revenue income to the DDF. To correct this error nothing is shown on Appendix B as having been received in the DDF and this creates the apparent overspend. The amount of £234,000 shown as being due was received during the year and this increased the percentage recovered to 77.2%. The Administrator is still predicting an overall return of 88%.
10. The DDF reduced between the Original and Revised position by some £647,000, this was due to a mixture of items brought forward, rephased into future years and new items identified during 2012/13, the largest item introduced into the revised estimates was a credit of £237,000 for interest on a compensation payment relating to the construction of the M25 on council owned land. This has been ongoing since 1992 and due to the complex legal issues involved has only just been resolved.
11. Planning and Economic Development saw the largest reduction being £418,000 below the revised estimate, three quarters of this underspend is within the Local Plan budget. This is the largest budget within the DDF and there have been significant delays in each of the last three years leading to the need for substantial carry forward. Variations in excess of £100,000 on their DDF when compared to the probable outturn were recorded within Corporate Support Services and The Office of the Chief Executive. In Corporate Support Services the main variation related to the issue surrounding personal search charges within Local Land Charges. This is still ongoing and the allowance within the DDF is requested for carry forward. In The Office of the Chief Executive the large

variation relates to the Local Land and Property Gazette, much of this should be spent during the second and third quarter of 2013/14. There are also significant variances of just under £100,000 in both the Deputy Chief Executive and Finance and ICT.

12. Appendix D lists the DDF items requested for carry forward.

Housing Revenue Account

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

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Revenue Expenditure	13,956	13,379	13,221	(735)	(158)
Depreciation	12,921	12,005	12,020	(901)	15
Total Expenditure	26,877	32,384	25,241	(1,636)	(143)
Gross Dwelling Rents	29,148	29,251	29,226	(78)	25
Other Rents and Charges	2,833	2,829	2,710	123	119
Total Income	31,981	32,080	31,936	45	144
Net Cost of Service	(5,104)	304	(6,695)	(1,591)	1
Interest and Other Transfers	(568)	(510)	(508)	60	2
Interest Payable	6,312	5,547	5,517	(795)	(30)
Transfer from Major Repairs Reserve	(5,989)	(5,073)	(5,088)	901	(15)
Net Operating Income	(5,349)	(6,732)	(6,774)	(1,425)	(42)
Appropriations					
Capital Expenditure Charged to Revenue	5,200	4,200	4,200	(1,000)	-
Transfer to Self Financing Reserve	-	3,180	3,180	3,180	-
Transfer to Service Enhancement Fund	-	-	170	170	170
Other	448	290	264	(184)	(26)
Deficit/(Surplus) for Year	299	938	1,040	741	102
Opening Balance – 1/4/12	(4,493)	(4,493)	(4,493)	-	-
Deficit/(Surplus) for year	299	938	1,040	741	102
Closing Balance – 31/3/13	(4,194)	(3,555)	(3,453)	741	102

14. A Deficit within the HRA of £299,000 and £938,000 was expected within its original and revised revenue budgets respectively, the actual outturn was a deficit of £1,040,000.

15. The savings on Revenue Expenditure of £158,000 when compared to the Revised position were made up of £51,000 relating to salaries, a £14,000 lower contribution to the General Fund for its contribution to Corporate Management and Democratic representation, £20,000 underspend on the provision of the piper alarm system, £13,000 relating to general tenancy management, £12,000 underspend on new computer system costs, £30,000 on service enhancement expenditure and a number of smaller savings on various Housing support and administration budgets.

16. Income from Other Rents and Charges was down on expectations so offset some of the

savings shown above, Garages income was lower than expected as was Heating and Service charges. There was also a reduction of £15,000 in the reimbursement from the General Fund for grounds maintenance on council estates.

17. The depreciation charge relating to Council Dwellings has been reviewed, not only is there a requirement to review useful lives of key components annually, the introduction of shorter replacement cycles has meant additional depreciation being charged. However whilst there is a reduction from the Original Estimate of £0.9m this has no overall effect on the HRA as an equivalent amount is reversed out on the line 'Transfer from Major Repairs Reserve'.
18. Capital Expenditure Charged to Revenue was reduced by £1m in the revised estimate to enable a transfer to be made to a new Self Financing Reserve without creating too large a deficit on the HRA. The reserve was created by a Council resolution when the 2013/14 budget was set with the purpose of setting aside resources (£3.18m per annum for 10 years) to repay the variable rate debt when it falls due in March 2022. The aforementioned £1m reduction was offset by an increased charge to the Major Repairs Reserve. The Balance on this Reserve at 31 March 2013 was nearly £10m.
19. When HRA Self Financing was introduced it became clear that more money would be available for service improvements and enhancements. As a result a programme of additional expenditure was agreed. It was also agreed by Cabinet on 11 March 2013 that any difference between the Revised Estimate and Actual be carried forward in the Service Enhancement Fund. Expenditure in 2012/13 was £524,000, which was £170,000 lower than expected with £140,000 of this relating to capital schemes.

Consultation undertaken:

None

Resource implications:

As set out in report, it is clear that the Cabinet priority to maintain a sound financial position has been achieved.

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

.