

Report to Resources Select Committee

Date of meeting: 12 July 2016

Portfolio: Finance

Subject: Provisional Revenue Outturn 2015/16.

Responsible Officer: Peter Maddock (01992 564602)

Democratic Services Officer: Adrian Hendry (01992 564246).



Recommendations/Decisions Required:

- (1) That the provisional 2015/16 revenue out-turn for the General Fund and Housing Revenue Account (HRA) be noted;**
- (2) That this Committee comment on the following recommendations made by the Finance and Performance Management Cabinet Committee to Cabinet;**
 - a. That the additional unbudgeted income of £254,000 from the agreement with the major preceptors be used to create a District Development Fund budget of £100,000 for transformational projects and to top up the Invest to Save Fund;**
 - b. That projects will only be funded from the transformation budget following approval by Management Board and consultation with the Leader; and**
 - c. That as detailed in Appendix E, the carry forward of £775,000 District Development Fund and £12,000 Invest to Save Reserve expenditure be noted.**

Executive Summary

This report provides an overall summary of the revenue outturn for the financial year 2015/16. The General Fund saw £347,000 more than estimated being used from the opening balance, which was more than outweighed by the use of the District Development Fund being £1.1 million less than estimated. Overall total net expenditure on the General Fund was £16.1 million, some £669,000 lower than the revised estimate.

Similarly, the position on the Housing Revenue Account was £716,000 better than anticipated.

Reasons for proposed decision:

To note the provisional revenue outturn.

To ensure adequate funding going forward for both transformation and invest to save projects.

Other options for action:

Members could decide to use the unbudgeted income to further increase the balance on the DDF and not to provide additional funding for transformation and invest to save projects.

However, this would slow progress on transformation and necessitate reports to Cabinet and Council for supplementary funding for relatively small amounts of money.

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 2015/16.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments (CSB)	13,348	15,769	16,204	2,856	435
Government Grants and Local Taxation	13,304	14,095	14,183	(879)	(88)
(Contribution to)/from Balances	44	1,674	2,021	1,977	347
Opening Balances – 1/4/15	(9,293)	(9,293)	(9,293)	-	-
(Contribution to)/from Balances	44	1,674	2,021	1,977	347
Closing Balances – 31/3/16	(9,251)	(7,619)	(7,272)	2,044	347

2. Net expenditure (CSB) for 2015/16 totalled £16.204 million, which was £2,856,000 (21.5%) above the original estimate and £435,000 (3%) above the revised. The large movement between Original and Revised was due to including some revenue funding of capital expenditure which has reduced the General Fund balance down to £7.3m from £9.3m. It was felt sensible to use some of the balance as in recent years there has been Central Government criticism of Local Authorities holding “excessive” reserves.

3. There were improvements in the funding position as this shows an increase of £879,000 when compared to the original position and £88,000 compared to the revised position. This was due to the inclusion of additional business rates Section 31 income in the base when the revised estimate was compiled and the actual position being better still. 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 2015/16 is based on an estimate made a year and a half ago and a lot has changed since then.

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 again 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 2016 was some £606,000 which will need to be paid back over the next two years, thus adversely affecting the future funding available to the General fund. However the Council Tax collection fund shows a surplus of £310,000 which will be paid into the General Fund in future years. The combined net position is approximately £27,000 worse than was anticipated in the Medium Term Financial Strategy adopted by Council in February 2016 and so is not a cause for concern.

7. An analysis of the changes between Continuing Services Budget (CSB), the District Development Fund (DDF) and The Invest to Save Reserve (ITS) 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	13,909	13,280	13,649	(260)	369
In Year Growth	329	578	546	217	(32)
In Year Savings	(902)	(1,212)	(1,142)	(240)	70
Total Continuing Services Budget	13,336	12,646	13,053	(283)	407
Capital Exp. Charged to Revenue (CERA)	12	3,123	3,151	3,139	28
Total Including CERA	13,348	15,769	16,204	2,856	435
DDF/ITS – Expenditure	1,839	2,501	1,984	145	(517)
DDF/ITS – One Off Savings	(710)	(1,465)	(2,052)	(1,342)	(587)
Total DDF/ITS	1,129	1,036	(68)	(1,197)	(1,104)
Total Net Expenditure	14,477	16,805	16,136	1,659	(669)

Continuing Services Budget

8. CSB expenditure was £283,000 below the original estimate and £407,000 higher than the revised. Variances have arisen on both the opening CSB and the in year figures. The opening CSB is £369,000 higher than the revised estimate and the in year figures, £38,000 higher than the revised estimate.

9. When measured against the Original Budget, salaries were underspent by £465,000. Actual salary spending for the authority in total, including agency costs, was some £20.802 million compared against an original estimate of £21.267 million. About a third of this

underspend fell on the HRA and two thirds the General Fund most of the latter was within Resources. When comparing to the Revised Estimate there was an underspend of £302,000, half of which fell on the General Fund, though £72,000 of this was actually DDF or Building Control savings rather than CSB.

10. There was an additional amount of £215,000 added to the General Fund Bad & Doubtful debts provision as a number of uncollectable debts were written off and Housing Benefit Overpayment debts outstanding at the year end have increased significantly from £2,382,000 to £2,723,000. These debts are difficult to collect and where an order to repay them is made this can be over quite a long period of time so it is felt prudent to provide for a large portion of the outstanding amounts.

11. HRA capital expenditure was underspent by some £3.5 million which is explored in more detail in the Capital Outturn report and the revenue budget was also underspent as detailed later in this report. Because of these two factors HRA balances were significantly higher than expected and therefore attracted more interest on these balances as a result. Having said that there was also more interest to the General Fund but overall there was a net reduction of £190,000.

12. The main other movement between the Original estimate and the Revised and Actual position was the decision to Fund Capital Expenditure of £3 million from the General Fund balance. Traditionally only small amounts of General Fund Capital Expenditure have been funded in this way and usually only when there is an equivalent saving elsewhere in the revenue budget. This change though was so significant that it has been shown on a separate line to make comparisons more meaningful.

13. The original in year CSB savings figure of £573,000 became an in year savings figure of £634,000. This was primarily due to additional Development Control fee income (£55,000) and a couple of other more minor items. In the event in year savings fell short by £38,000. The two main areas were Non-HRA Rent Rebates (£40,000) and the Waste Management Contract (£18,000) there were a number of minor items that offset these. Full details of items within the CSB growth figures can be found at appendix A.

District Development Fund

14. Net DDF expenditure was expected to be £1,129,000 in the original estimate and £949,000 in the revised estimate. In the event the DDF showed net income of £143,000. This is £1,272,000 below the original and £1,092,000 below the revised. There are requests for carry forwards totalling £775,000 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.

15. As spending is £1,092,000 below the revised estimate but carry forwards of £775,000 have been requested, a net underspend of £317,000 is shown in Appendix B.

16. The DDF reduced between the Original and Revised position by £180,000, overall this was not significant but there were some large swings on both income and expenditure. On the Income side additions relating to Development Control (£220,000), Land Charges new burdens (£103,000), a dividend following the liquidation of the former waste management contractor, South Herts Waste Management (£100,000) and additional income from the technical agreement with major preceptors (£119,000). Offsetting this were amounts brought forward from 2014/15 for the Local Plan (£185,000) and Assets Rationalisation (£85,000.) 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.

17. The difference between the revised position and the outturn position was a reduction of £1,092,000. Around half of this related to income from the Recycling Reward Scheme (£268,000) and further income relating to the aforementioned technical agreement. It is proposed that £100,000 of the latter be used to create a transformation project budget and £154,000 be used to top up the Invest to Save Reserve. The main items making up the remaining £570,000 were, £139,000 related to Local Plan slippage, £82,000 to Asset rationalisation, £73,000 to the planned maintenance programme, £62,000 to Electoral registration and £43,000 to town centre support. There are again a number of other variations that are highlighted in Appendix B.

18. Now several transformation projects are underway it is apparent that to progress them small amounts of expenditure are required that cannot be repeatedly found from existing resources. To allow these projects to proceed quickly but with appropriate oversight, it is proposed that a DDF budget is established under the control of Management Board, subject to consultation with the Leader.

19. Appendix C shows the overall position on the DDF with the balance as at 31 March 2016 being £3.742 million and Appendix E lists the DDF items requested for carry forward.

Invest to Save Reserve

20. The Invest to Save Reserve was created at the end of 2014/15 with a £500,000 transfer from the General Fund balance. Expenditure was estimated at £87,000 the actual being £75,000. The underspend related to investigating the withdrawal from the NEPP contract. The detail is shown in Appendix D and items for carry forward in Appendix E.

21. Even though expenditure to the end of 2015/16 was relatively light, Appendix D highlights that most of the fund has been committed for projects in subsequent years. Additional funds have been allocated already in 2016/17 and to ensure money remains available for suitable projects the proposed top up to the fund is required.

Housing Revenue Account

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

	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Housing Revenue Account					
Revenue Expenditure	28,678	29,037	28,517	(161)	(520)
Depreciation	13,539	13,152	13,498	(41)	346
Total Expenditure	42,217	42,189	41,948	(202)	(174)
Gross Dwelling Rents	32,178	32,289	32,150	28	139
Other Rents, Charges and Depreciation Reversals	10,099	9,817	10,498	(399)	(681)
Total Income	42,277	42,106	42,648	(371)	(542)

	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Housing Revenue Account Deficit/(Surplus) for Year	(60)	83	(633)	(573)	(716)
Opening Balance – 1/4/15	(2,570)	(2,570)	(2,570)	-	-
Deficit/(Surplus) for year	(60)	83	(633)	(573)	(716)
Closing Balance – 31/3/16	(2,630)	(2,487)	(3,203)	(573)	(716)

23. A Surplus within the HRA of £60,000 and deficit of £83,000 was expected within its original and revised revenue budgets respectively, the actual outturn was a surplus of £633,000.

24. There were savings on Revenue Expenditure of £520,000 when compared to the revised position. These included salary savings due to vacancies in a number of areas amounting to around £150,000. There were some savings on professional and consultancy fees (£86,000), gas and electricity (£79,000), various communal services (£63,000), Grounds Maintenance (£63,000), rent collection costs (£20,000), furniture and equipment at sheltered units (£17,000) and Corporate Core contribution (£11,000).

25. Income from Dwelling Rents was down by £139,000 though other income was up most notably interest received on capital and revenue balances by around £300,000 in total.

26. The depreciation charge relating to HRA assets was £346,000 higher than expected. However much of this difference is reversed back to the HRA and forms the bulk of the remainder of the £681,000 underspend shown on that line.

27. The current financial year is likely to be more difficult for the HRA with the 1% rent reduction coming in and the potential effects of the forced sale of high value voids, the detail of which has yet to be decided, so the better outturn position than expected for the HRA is helpful when viewed in that context.

Consultation undertaken:

None

Resource implications:

Although the General Fund balance has reduced and there was an overspend the balance still exceeds £7.2 million and is well in excess of the target set in the Medium Term Financial strategy of 25% of net budget requirement. This reduction was planned as £3 million was used for capital expenditure.

The surplus on the HRA was rather higher than expected due to a lot of underspend and the balance has now risen to £3.2 million as at 31 March 2016.

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.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
16/06/16 Director of Resources	The report only sets out the revenue outturn and therefore has no equality implications.