

Report to the Resources Select Committee

Date of meeting: 13 July 2017

Portfolio: Finance

Subject: Provisional Revenue Outturn 2016/17.

Responsible Officer: Peter Maddock (01992 564602)

Democratic Services Officer: Adrian Hendry (01992 564246).



Recommendations/Decisions Required:

- (1) That the provisional 2016/17 revenue out-turn for the General Fund and Housing Revenue Account (HRA) be noted;**
- (2) That £1 million from the General Fund be used to finance capital expenditure in 2016/17; and**
- (3) That as detailed in Appendix E, the carry forward of £1,301,000 District Development Fund and £107,000 Invest to Save Reserve expenditure be noted.**

Executive Summary

This report provides an overall summary of the revenue outturn for the financial year 2016/17. The General Fund saw £288,000 more than estimated being used from the opening balance. Total net expenditure on the General Fund was £14.039 million, some £787,000 higher than the original estimate and £71,000 higher than the revised estimate. Expenditure from the District Development Fund and Invest to Save Reserve was £1.643 million less than estimated.

The position on the Housing Revenue Account was £157,000 better than anticipated.

Reasons for proposed decision:

To note the provisional revenue outturn.

Other options for action:

Not to use the proposed £1 million additional funding for general fund capital expenditure.

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 2016/17.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments (CSB)	13,252	13,968	14,039	787	71
Government Grants and Local Taxation	13,216	13,191	12,974	242	217
(Contribution to)/from Balances	36	777	1,065	1,029	288
Opening Balances – 1/4/16	(7,272)	(7,272)	(7,272)	-	-
(Contribution to)/from Balances	36	777	1,065	1,029	288
Closing Balances – 31/3/17	(7,236)	(6,495)	(6,207)	1,029	288

2. Net expenditure (CSB) for 2016/17 totalled £14.039 million, which was £787,000 (5.9%) above the original estimate and £71,000 (0.5%) above the revised. Whilst the overspend compared to the revised appears small there was in fact a sizeable underspend on ongoing activities and because of this it has been proposed by the Finance Cabinet Committee, that an additional sum of £1 million be provided for capital funding. This is subject to Cabinet approval on 11 July.
3. 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 down by £217,000 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 2016/17 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. There was an in year surplus on the business rates collection fund which has brought the overall deficit down from £1.514m to £87,000. 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 larger the provision for appeals being made the larger the deficit on the fund created.

6. The medium term financial strategy had estimated that the Council's portion of the deficit on the business rates collection fund would be £200,000 and on the council tax collection fund there would be a surplus of £210,000. In the event the business rates collection fund deficit at the end of March 2017 was lower at £35,000 which will need to be paid back over the next two years, the Council Tax collection fund showed a surplus of £209,000 which will be paid into the General Fund in future years. The combined net position is £164,000 better than was anticipated.
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	12,714	13,336	12,465	(249)	(871)
In Year Growth	949	1,408	1,395	446	(13)
In Year Savings	(411)	(778)	(823)	(412)	(45)
Total Continuing Services Budget	13,252	13,966	13,037	(215)	(929)
Capital Exp. Charged to Revenue (CERA)	0	2	1,002	1,002	1,000
Total Including CERA	13,252	13,968	14,039	787	71
DDF/ITS – Expenditure	2,106	3,099	2,527	421	(572)
DDF/ITS – One Off Savings	(1,296)	(1,683)	(2,754)	(1,458)	(1,071)
Total DDF/ITS	810	1,416	(227)	(1,037)	(1,643)
Total Net Expenditure	14,062	15,384	13,812	(250)	(1,572)

Continuing Services Budget

8. CSB expenditure was £215,000 below the original estimate and £929,000 below the revised. Variances have arisen on both the opening CSB and the in year figures. The opening CSB is £871,000 lower than the revised estimate and the in year figures, £58,000 lower than the revised estimate.
9. When measured against the Original Budget, salaries were underspent by £529,000. Actual salary spending for the authority in total, including agency costs, was some £21.97 million compared against a original estimate of £22.499 million. About three quarters of this underspend fell on the General Fund with Resources and Neighbourhoods recording the highest values. When comparing to the Revised Estimate there was an underspend of £157,000, All of which fell on the General Fund, though some salary costs are DDF and this showed a small underspend.
10. A contingency was included in the General Fund of £150,000 for potential settlement agreements little of this was spent in the end.
11. The addition to the General Fund Bad & Doubtful debts provision was £83,000 less than expected. Housing Benefit Overpayment debts have increased marginally and more than half of the Sundry Debts outstanding were less than a month old so we can expect most of this to be paid.
12. There were a number of other underspends such as Housing Benefits £133,000, additional income, mostly rents £112,000, various consultancy costs £103,000, business

rates £32,000, Grounds Maintenance £29,000, and as always a lot of minor amounts under £5,000 on various headings.

13. It is proposed, that because this underspend has occurred, it is sensible to provide some additional funding to the General Fund capital programme of £1 million which wipes out the underspend plus an additional £288,000 which still leaves the General Fund balance at £6.207 million which is comfortably above the target set in the Medium Term Financial Strategy. This change being quite significant has been shown on a separate line to make comparisons more meaningful.
14. The original in year CSB growth figure of £538,000 became an in year growth figure of £630,000. This was primarily due to additional expenditure required to support the Waste Management Contract (£427,000) though there was some compensatory additional income included in areas such as the technical agreement with major preceptors (£200,000) commercial and industrial rents (£135,000) and Development Control fee income (£70,000). In the event in year growth fell between the two at £572,000. Mainly due to further additional commercial rent income. Full details of items within the CSB growth figures can be found at appendix A.

District Development Fund

15. Net DDF expenditure was expected to be £698,000 in the original estimate and £1,096,000 in the revised estimate. In the event the DDF showed net income of £446,000. This is £1,144,000 below the original and £1,542,000 below the revised. There are requests for carry forwards totalling £1,301,000 these are detailed on Appendix E. 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.
16. As spending is £1,542,000 below the revised estimate but carry forwards of £1,301,000 have been requested, a net underspend of £241,000 is shown in Appendix B.
17. The DDF increased between the Original and Revised position by £398,000, overall this was not significant but there were some large swings on both income and expenditure. On the Income side additions relating to Development and Building Control (£150,000), Various commercial and industrial rents (£122,000), various other grants and income (£86,000). There was also some reprofiling of expenditure into future years particularly in relation to the staffing costs relating to the technical agreement. Offsetting this were amounts brought forward from 2015/16 and additional resources provided for the Local Plan (£626,000), Waste and Recycling (£144,000) and an amount of £116,000 in relation to the income from the major preceptors that has been taken into the CSB. 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.
18. The difference between the revised position and the outturn position was a reduction of £1,542,000. During February and March around £928,000 in grants and contributions were received which had been applied for but not confirmed in time for the budget setting process. These monies have been added to the DDF and are intended for spending in 2017/18. The largest of these is for the Garden Town funding of which £665,000 is carried forward into 2017/18. All of these grants and contributions relate to the Neighbourhoods Directorate. Other income variations are; additional income from the agreement with major preceptors £158,000, Unspent new burdens grant required in 2017/18 £127,000, additional commercial and industrial rents £63,000. There were also two larger underspends relating to building maintenance £92,000 and the local plan £66,000. There are again a number of less significant other variations that are highlighted in Appendix B.
19. Appendix C shows the overall position on the DDF with the balance as at 31 March 2017 being £4.188 million and Appendix E lists the DDF items requested for carry forward.

Invest to Save Reserve

20. Spending from the Invest to Save Reserve was £219,000 which was £101,000 below the revised estimate of £320,000. There are carry forward requests of £107,000 the largest relating to the ICT infrastructure for the new car park management contract of £45,000. There was also a small overspend relating to the payment kiosks at the Civic Offices.
21. The balance on the reserve was £425,000 at the start of 2016/17. It was agreed as part of the 2017/18 budget process to add £200,000 and having spent £219,000 leaves the year end balance at £406,000. The detail is shown in Appendix D and items for carry forward in Appendix E.

Housing Revenue Account

22. 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	28,016	26,391	26,270	(1,746)	(121)
Depreciation	12,925	15,765	15,763	2,838	(2)
Total Expenditure	40,941	42,156	42,033	1,092	123
Gross Dwelling Rents	32,032	31,788	31,925	107	(137)
Other Rents, Charges and Depreciation Reversals	8,462	10,862	10,759	(2,297)	103
Total Income	40,494	42,650	42,684	(2,190)	(34)
Deficit/(Surplus) for Year	447	(494)	(651)	(1,098)	(157)
Opening Balance – 1/4/16	(3,202)	(3,202)	(3,202)	-	-
Deficit/(Surplus) for year	447	(494)	(651)	(1,098)	(157)
Closing Balance – 31/3/17	(2,755)	(3,696)	(3,853)	(1,098)	(157)

23. A deficit within the HRA of £447,000 and surplus of £494,000 was expected within its original and revised revenue budgets respectively, the actual outturn was a surplus of £651,000.
24. There were savings on Revenue Expenditure of £121,000 when compared to the revised position. There were savings on sheltered unit management (£43,000), bad and doubtful debt provision (£26,000), grounds maintenance (£16,000), gas and electricity (£10,000) and Caretaking and Cleaning (£9,000).
25. Income from Dwelling Rents was up by £137,000 though other income was down by £103,000 the latter relating to management and service charges.
26. The HRA starts the new financial year in a slightly better position at £3.85 million. There is still significant uncertainty facing the HRA going forward with continued 1% rent reductions and the potential high value void levy so any addition to balances is helpful when viewed in that context.

Consultation undertaken:

None

Resource implications:

Although the General Fund was underspent by £712,000 it has been proposed to use this and an additional £288,000 from reserves to provide an additional £1 million funding for the General Fund capital programme in 2016/17. This is subject to Cabinet approval on 11th July 2017.

The surplus on the HRA was slightly higher than expected due to some minor underspends and the balance has now risen to £3.85 million as at 31 March 2017.

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
1/06/17 Director of Resources	The report only sets out the revenue outturn and therefore has no equality implications.