

# Report to the Cabinet

**Report reference: C/027/2005-06.**

**Date of meeting: 11 July 2005.**



**Epping Forest  
District Council**

**Portfolio: Finance & Performance Management.**

**Subject: Provisional Revenue Outturn 2004/05.**

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## Recommendations:

- (1) That the overall 2004/05 revenue outturn for the General Fund and Housing Revenue Accounts be noted;
- (2) That, as detailed in Appendix D, the carry forward of £479,000 District Development Fund expenditure be approved; and
- (3) That, for both the General Fund and the Housing Revenue Account, the Finance and Performance Management Cabinet Committee be authorised to prepare a new four-year forecast (2005/06 to 2008/09).

## Introduction:

1. This report provides an overall summary of the revenue outturn for the financial year 2004/05.

## General Fund:

2. The table below summarises the revenue outturn for the General Fund and the consequential use of balances for 2004/05:

	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	13,858	13,306	12,779	(1,079)	(527)
Government Grants and Local Taxation	13,759	13,759	13,759	-	-
<b>Use of Balances</b>	<b>99</b>	<b>(453)</b>	<b>(980)</b>	<b>(1,079)</b>	<b>(527)</b>
Opening Balances – 1/4/04	4,463	4,463	4,463	-	-
Use of Balances in year	99	(453)	(980)	(1,079)	(527)
<b>Closing Balances – 31/3/05</b>	<b>4,364</b>	<b>4,916</b>	<b>5,443</b>	<b>(1,079)</b>	<b>(527)</b>

3. The table above shows that net expenditure for 2004/05 totalled £12.779 million, which was £1.079 million (8.4%) below the original estimate, and £527,000 (4.1%) below the revised. When compared to a gross expenditure budget of approximately

£60 million, the variances can be restated as 1.8% and 0.9% respectively. Appendix A provides a portfolio breakdown.

4. An analysis of the changes between CSB and DDF expenditure illustrates where the main variances in revenue expenditure have occurred:

	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
<b>General Fund</b>					
Opening CSB	14,595	14,297	13,383	(1,212)	(914)
In Year Growth	578	389	141	(437)	(248)
In Year Savings	(1,422)	(1,427)	(1,248)	174	179
<b>Total Continuing Services Budget</b>	<b>13,751</b>	<b>13,259</b>	<b>12,276</b>	<b>(1,475)</b>	<b>(983)</b>
DDF – Expenditure	1,152	1,987	1,292	140	(695)
DDF – One Off Savings	(647)	(1,096)	(892)	(245)	204
<b>Total DDF</b>	<b>505</b>	<b>891</b>	<b>400</b>	<b>(105)</b>	<b>(491)</b>
<b>Appropriations</b>	<b>(497)</b>	<b>(391)</b>	<b>1,083</b>	<b>1,580</b>	<b>1,474</b>
<b>Net Expenditure</b>	<b>13,759</b>	<b>13,759</b>	<b>13,759</b>	<b>-</b>	<b>-</b>

#### Continuing Services Budget:

5. CSB expenditure was £1,475,000 lower than the original estimate and £983,000 lower than the revised. The main variance has arisen on the opening CSB however in year growth and savings were also both lower than expected. Details of variances for planned savings and growth are shown in Appendix B.
6. The opening CSB shows an underspend of £1.212 million on the original estimate and an underspend of £983,000 against the revised. The major reason for this difference is that significant salary savings, some of which was identified at revised estimate time, have occurred in all service areas. There have been some offsetting variances particularly income related as income from Leisure Centres, Development Control Fees and Local Land Charges all failed to reach expectations. These findings are based on an early inspection of the accounts and further analysis needs to be done on the 2004/05 CSB outturn to see what implications they might have for future expenditure trends. Any findings will be reported to the Finance Committee in due course.

#### District Development Fund:

7. Net DDF expenditure was £105,000 below the original estimate and there are requests for carry forwards totalling £479,000. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision and the content of the programme can change significantly between the original and revised estimates. It is therefore more meaningful to compare the actual expenditure to the revised position.
8. When compared to the revised budget, net DDF expenditure was £491,000 lower. This was made up of the £479,000 carry forward and a net underspend of £12,000, Appendix C illustrates the overall movements on the DDF reserve. As can be seen, on the presumption that approval will be granted to carry forward £479,000 of expenditure the DDF reserve has increased slightly to £2.457 million at year-end. Much of this is committed to finance the present programme of DDF expenditure. Appendix D details the individual carry forwards requested together with the individual

over and underspends incurred.

9. The main DDF underspends occurred on the Corporate Support Services and I.T., Finance and Performance Management and Planning and Economic Development Portfolios. The main areas were legal services, ICT, Housing Benefit Welfare Reform grant and Planning Delivery Grant. These underspends have been requested to be carry forward as in all cases there has been some expenditure in 2004/05 though for one reason or another some slippage has occurred.

#### Housing Revenue Account:

10. The table below summarises the revenue outturn for the Housing Revenue Account and the consequential use of balances for 2004/05:

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Management & Maintenance	11,585	11,474	11,404	(181)	(70)
HRA Subsidy payable	7,554	7,554	7,556	2	2
Asset Rentals	19,096	27,969	31,642	12,546	3,673
Other Expenditure	118	120	147	29	27
<b>Total Expenditure</b>	<b>38,353</b>	<b>47,117</b>	<b>50,747</b>	<b>12,396</b>	<b>3,632</b>
Gross Dwelling Rents	20,016	20,261	20,305	(289)	(44)
Other Rents and Charges	3,561	3,631	3,804	(243)	(173)
Contribution from the General Fund	260	243	242	18	1
<b>Total Income</b>	<b>23,837</b>	<b>24,135</b>	<b>24,351</b>	<b>(514)</b>	<b>(216)</b>
<b>Net Cost of Service</b>	<b>14,516</b>	<b>22,982</b>	<b>26,398</b>	<b>11,882</b>	<b>3,416</b>
Interest Receivable	(1,137)	(1,556)	(1,455)	(318)	101
Pensions Interest/Return on Assets	0	409	369	369	(40)
Reversal of Asset Rentals	(14,594)	(23,467)	(27,140)	(12,546)	(3,673)
<b>Net Operating Income</b>	<b>(1,215)</b>	<b>(1,632)</b>	<b>(1,828)</b>	<b>(613)</b>	<b>(196)</b>
<b>Appropriations</b>					
Capital Expenditure Charged to Revenue	0	50	950	950	900
FRS 17 Adjustment		(365)	(537)	(537)	(172)
Transfer to General Fund	110	110	110	-	-
<b>Surplus for Year</b>	<b>(1,105)</b>	<b>(1,837)</b>	<b>(1,305)</b>	<b>(200)</b>	<b>532</b>
Opening Balance – 1/4/04	3,529	3,529	3,529	-	-
Surplus for year	(1,105)	(1,837)	(1,305)	(200)	532
<b>Closing Balance – 31/3/05</b>	<b>4,634</b>	<b>5,366</b>	<b>4,834</b>	<b>(200)</b>	<b>532</b>

11. As shown above, the HRA was £200,000 underspent on its original revenue budget, relating to a £632,000 overspend of expenditure, and a £832,000 increase in income. The main area of expenditure overspend relates to asset rentals as detailed in paragraph 14 below however actual management costs were below both the original and revised estimate. The main areas of saving relate to heating costs, grounds maintenance costs and salary savings due to staff vacancies.

12. Dwelling rents were higher due to low void levels and lower than expected council house sales. In addition, other rents and charges were also higher due in the main to increased commercial property rents.
13. Capital Expenditure Charged to Revenue (RCCO) was originally set at zero, however due to the low level of council house sales the transitional capital receipts expected for HRA capital expenditure were much reduced. The HRA capital programme spend was in line with the revised levels and therefore replacement funding is necessary, this amounted to RCCO of £950,000. Even with this increase the HRA still came in £200,000 under the original.
14. The asset rentals charged to the HRA and the associated "below the line" reversal are based on the value of dwellings and as a result any change in dwelling values will have a direct impact on these figures. The charge has increased by £12.5million however as can be seen, these variations are equal and opposite and therefore have no impact on the revenue account.

#### Housing Repairs Fund:

15. Repairs to the housing stock are managed via a Housing Repairs Fund, in accordance with best practice. The Housing Revenue Account makes a contribution each year to the fund, which then finances repairs as they are needed. Amongst other things, the fund allows flexibility of expenditure, in particular where contracts straddle more than one year. The table below shows the movement on the fund:

<b>Housing Repairs 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 Balance – 1/4/04	2,466	2,466	2,466	-	-
Contribution from the HRA	5,000	5,000	5,000	-	-
Expenditure for year	5,000	4,943	4,418	(582)	(525)
<b>Closing Balance – 31/3/05</b>	<b>2,466</b>	<b>2,523</b>	<b>3,048</b>	<b>(582)</b>	<b>(525)</b>

16. The main reason for the underspend here relates to routine day to day maintenance which was lower than both the original and revised estimates. This reduction appears to be due in part to the increased investment in planned capital improvements. It will however be necessary to re-assess the level of future contributions from the HRA in the light of this.

#### Four-Year Forecast:

17. The 2004/05 accounts are now closed, and the revenue balances as at 1 April 2005 have therefore been established. It is now appropriate to prepare a new four-year forecast of both the General Fund and the Housing Revenue Account. It is therefore suggested that the Finance and Performance Management Cabinet Committee be requested to prepare the forecasts and present them to a future meeting of the Cabinet.

#### Conclusion:

18. The General Fund outturn was 8.4% below the original estimate, with an underspend of £1,079,000. General Fund balances have risen by £980,000, to £5,443,000.

19. District Development Fund expenditure was £491,000 below the final allocations, although after carry forwards, expenditure was actually only underspent by £12,000. The closing balance on the DDF Reserve was £2,457,000, after transferring the allowances for carry forwards. Much of this balance is committed to fund DDF projects in 2005/06 and future years.
20. The Housing Revenue Account balance increased to £4,834,000, an increase of £200,000. The Housing Repairs Fund rose by £582,000 to £3,048,000.

**Resource implications:**

**Budget Provision:** As set out in the report.

**Personnel:** Nil.

**Land:** Nil.

**Community Plan/BVPI Reference:** None.

**Relevant Statutory Powers:** N/A.

**Background Papers:** None.

**Environmental/ Human Rights/ Crime and Disorder Act Implications:** None.

**Key Decision Reference (if required):** None.