

Report to the Finance and Performance Management Scrutiny Panel



Date of meeting: 16 July 2014

Portfolio: Finance

Subject: Provisional Revenue Outturn 2013/14.

Responsible Officer: Peter Maddock (01992 564602)

Democratic Services Officer: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

- (1) That the provisional 2013/14 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 £682,000 District Development Fund expenditure be noted ; and**
- (3) That the carry forward of £112,000 HRA Service Enhancement Fund expenditure be noted;**

Executive Summary

This report provides an overall summary of the revenue outturn for the financial year 2013/14.

Reasons for proposed decision:

To note the provisional revenue outturn.

Other options for action:

No other options available.

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 2013/14.

	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
General Fund					
Net Expenditure after Adjustments (CSB)	14,368	14,484	14,219	(149)	(265)
Government Grants and Local Taxation	14,324	14,324	14,610	(286)	(286)
(Contribution to)/from Balances	44	160	(391)	(435)	(551)

General Fund	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Opening Balances – 1/4/13	(9,671)	(9,671)	(9,671)	-	-
(Contribution to)/from Balances	44	160	(391)	(435)	(551)
Closing Balances – 31/3/14	(9,627)	(9,511)	(10,062)	(435)	(551)

2. Net expenditure (CSB) for 2013/14 totalled £14.219 million, which was £149,000 (1.0%) below the original estimate and £265,000 (1.9%) below the revised. When compared to a gross expenditure budget of approximately £75 million, the variances can be restated as 0.2% and 0.35% respectively.
3. There were also improvements in the funding position as this shows an increase of £286,000 however 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.
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 Council's 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 deficit on the business rates collection fund has occurred for two reasons. Firstly there was a particularly large change to the rating list relating to a pipeline that runs through the district. It was originally included in the Council's rating list however it has now been ruled to be part of the power station to which it is connected which lies within a neighbouring district.
6. Secondly, as part of the closing down process a provision to cover future rating appeals has to be made which 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.
7. The Council's portion of the Business Rates collection fund deficit at the end of March 2014 was some £394,000 which will need to be paid back over the next two years, thus adversely affecting the future funding available to the General fund.
8. The additional Funding comes partly from the safety net payment generated by the fall in Business rates income (£169,000) but because it is accounted for in the General Fund shows in 2013/14.
9. 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.

	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
General Fund					
Opening CSB	15,171	15,191	14,816	(355)	(375)
In Year Growth	436	902	940	504	38
In Year Savings	(1,239)	(1,609)	(1,537)	(298)	72
Total Continuing Services Budget	14,368	14,484	14,219	(149)	(265)
DDF – Expenditure	1,626	2,592	1,704	78	(888)
DDF – One Off Savings	(642)	(1,921)	(2,135)	(1,493)	(214)
Total DDF	984	671	(431)	(1,415)	(1,102)
Total Net Expenditure	15,352	15,155	13,788	(1,564)	(1,367)

Continuing Services Budget

10. CSB expenditure was £149,000 below the original estimate and £265,000 lower than the revised. Variances have arisen on both the opening CSB and the in year figures. The opening CSB is £375,000 lower than the revised estimate and the in year figures, £110,000 higher than the revised estimate.
11. In contrast to recent years, when measured against the Original Budget, salaries were overspent by £60,000. Actual salary spending for the authority in total, including agency costs, was some £19.944 million compared against an original estimate of £19.884 million. Whilst the General Fund was overspent by around £160,000 the HRA was underspent by around £100,000. The General Fund overspend was due in part to additional staffing in the Deputy Chief Executive directorate but this was paid for by external funding secured too late to be included in the budget. However generally vacancy levels fell below the 2.5% allowed for in the budget. The underspend on the HRA fell mostly on the Housing Repairs Fund as it related to vacancies in the Housing Works Unit. When comparing to the Revised Estimate there was a General Fund underspend of around £180,000 as budgets had been adjusted for known variations and some recruitment took longer than expected .
12. There was one other significant CSB saving when compared to the revised estimate, this being an underspend of £213,000 on Housing Benefits due in part to adjustments relating to past years and the identification of overpayments. The Gross Expenditure on Benefits was £38m so even a small percentage variance, (in this case a little over half of one per cent), can produce quite large figures in terms of under or overspend. Having said that an additional amount has been put into the Bad and Doubtful debts provision to provide against a proportion of these debts becoming uncollectable
13. As always there were a number of smaller underspends that when added together became somewhat more significant.
14. The original in year CSB savings figure of £803,000 became an in year savings figure of £707,000. The largest item related to the Market at North Weald Airfield where an original CSB income loss of £174,000 became £348,000. The popularity of the market has dwindled somewhat in recent times and members agreed to reduce the weekly rent payable by the market operator rather than risk seeing the market cease altogether. There were a number of items representing additional income or savings such as a significant rental review at Brooker Road and savings on the waste management contract gate fees however these were offset by increased costs as a result of auto enrolment for pensions and reduced council tax court cost income. The actual in year CSB savings were lower than both the Original and Revised at £597,000 primarily because the gate

fee savings did not materialise. The second half of the year saw an increase in food and garden waste recycling for which the gate fee charge of £63 is passed on to the Council by the contractor. This was an increase in recycling when compared to the two previous years and could be partly due to the mild wet winter. 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 £984,000 in the original estimate and £671,000 in the revised estimate. In the event the DDF showed net income of £431,000. This is £1,415,000 below the original and £1,102,000 below the revised. There are requests for carry forwards totalling £682,000 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.
16. As spending is £1,102,000 below the revised estimate but carry forwards of £682,000 have been requested, a net underspend of £420,000 is shown at the end of Appendix B.
17. The DDF reduced between the Original and Revised position by some £313,000, this was mainly due to new items identified during 2013/14, the three main items being £400,000 for section 31 grant relating to Small Business Rate Relief granted. It had been known that the Government would pay some Section 31 Grant but the actual announcement came very late in the year. A £209,000 one off saving for Non Domestic rates on the Civic Offices backdated to 2010 and offsetting expenditure for severance costs arising from the implementation of the new Directorate structure, of £211,000.
18. There were a number of items contributing to this underspend such as Additional Development Control and Pre-Application charges (£62,000), Additional monies relating to various grants from Central Government none of which we were informed of until February or later (£85,000), savings on the Audit fees primarily relating to grant claim work (£44,000), savings on the Building Maintenance Programme (£86,000) Transfer into the DDF of the residual Balance on the Pensions Increase Reserve (£65,000) and additional Parking related income (£61,000). With regard to the Pensions Increase Reserve, this was set up some years ago to fund increases in pension deficit payments however a decision was made by members during 2011/12 to fund all of this from the CSB so there is therefore no need for this reserve going forward. At the end of 2012/13 this reserve held £65,200.
19. Appendix D lists the DDF items requested for carry forward.

Housing Revenue Account

20. 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	14,114	13,982	13,929	(185)	(53)
Depreciation	18,418	12,851	13,110	(5,308)	259
Total Expenditure	32,532	26,833	27,039	(5,493)	206
Gross Dwelling Rents	31,080	30,966	30,701	379	265
Other Rents and Charges	2,896	2,911	2,853	43	58
Total Income	33,976	33,877	33,554	422	323
Net Cost of Service	(1,444)	(7,044)	(6,515)	(5,071)	529
Interest and Other Transfers	(453)	(460)	(489)	(36)	(29)
Interest Payable	5,571	5,532	5,526	(45)	(6)
Transfer from Major Repairs Reserve	(11,496)	(5,929)	(5,349)	6,147	580
Net Operating Income	(7,822)	(7,901)	(6,827)	995	1,074
Appropriations					
Capital Expenditure Charged to Revenue	4,200	4,200	4,200	-	-
Transfer to Self-Financing Reserve	3,180	3,180	3,180	-	-
Transfer to Service Enhancement Fund	-	272	(58)	(58)	(330)
Other	314	142	98	(216)	(44)
Deficit/(Surplus) for Year	(128)	(107)	593	721	700
Opening Balance – 1/4/13	(3,375)	(3,375)	(3,375)	-	-
Deficit/(Surplus) for year	(128)	(107)	593	721	700
Closing Balance – 31/3/14	(3,503)	(3,482)	(2,782)	721	700

21. A Surplus within the HRA of £128,000 and £107,000 was expected within its original and revised revenue budgets respectively, the actual outturn was a deficit of £593,000.

22. There were savings on Revenue Expenditure of £53,000 when compared to the revised position. It was expected that the introduction of the universal credit would push up rent arrears however this has been delayed and rent arrears have actually fallen meaning a significantly lower contribution to the Bad and Doubtful debts provision was necessary.

23. Income from Dwelling Rents was down on expectations as there was a surge in sales in the second half of the year. Other Charges were also down on expectations due in part to a reduction of £32,000 in the reimbursement from the General Fund for grounds maintenance on council estates and a reduction in garage rent income (£7,000).

24. The calculation of the depreciation charge relating to Council Dwellings is based on shorter replacement cycles than that prior to the introduction of HRA self-financing. Whilst initially a significant increase in the charge was expected following discussions with the external auditors a more appropriate approach was agreed which reduced the charge

down to a little over £13.1 m. Having said that under current arrangements much of this is reversed back to the HRA anyway.

25. The reversal from the Major Repairs Reserve (MRR) to the HRA was lower than anticipated. This is due to a correction made resulting from the 2012/13 final accounts audit and amounted to £416,000. This has had the effect of increasing the Balance on the MRR at the expense of the HRA itself. In 2014/15 the financing of the Capital programme will be reviewed and both the MRR and HRA can be put back to the position that they would have been in had this adjustment not been carried out.

26. When HRA Self Financing was introduced it became clear that more money would be available for service improvements and enhancements. Each year an amount is allocated for service enhancement based on the likely funding available. There was an underspend on the programme last year and therefore £112,000 is requested for carry forward into 2014/15.

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

.