

CABINET

Report reference: C-030-2020/21
Date of meeting: 19th October
2020



Portfolio: Finance & Economic Development – Cllr Philip

Subject: Revenue & Capital Outturn 2019/20

Responsible Officer: Andrew Small (01992 564278).

Democratic Services: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

- (1) To note the Revenue outturn for 2019/20 for the General Fund and Housing Revenue Account (HRA) as presented within the report, including *Appendix A*.
- (2) To note the General Fund Reserve position presented in Section 4.
- (3) To note the HRA Balance set out in Section 4, including the retention of £0.5 million originally approved for transfer to the Self-Financing Financing Reserve (prior to consideration for approval by Cabinet).
- (4) To note the Capital Programme outturn for 2019/20 as presented within the report, including *Appendix B*.

Executive Summary:

This report provides Cabinet with an overview of the Revenue and Capital outturn, compared to budget, for 2019/20.

The figures included within the report are still subject to external audit so should be considered provisional at this stage. The report also briefly considers the Council's unallocated reserve balances for both General Fund and the HRA.

Revenue

The Council has ended the year with an overall positive revenue variance on General Fund service budgets of £908,000, whereas the ring-fenced Housing Revenue Account recorded a negative revenue variance of £285,000.

The revenue outturn figures are reflected in the reserves held on the Balance Sheet as at 31st March 2020; specifically, regarding unallocated balances held:

- General Fund Reserve – £7.759 million; and
- HRA Balance – £2.030 million.

The minimum contingency balance requirements adopted by the Council have been met at year-end on both the General Fund and the HRA. The movement on the General Fund balance is summarised in the table below.

Description	£millions
Opening GF Balance	7.437
Add: Underspend on Services	0.908
Add: Surplus on Funding and Other Adjustments	0.261
Less: Transfers to Earmarked Reserves	(0.847)
Closing GF Balance	7.759

Capital

Overall spending on the Capital Programme this year was £43.713 million (General Fund £26.377 million, HRA £17.336 million) against a budget of £49.956 million (General Fund £31.926 million, £18.030 million). Unspent budgets of £6.243 million (General Fund £5.549 million, HRA £0.694 million) will roll forward into 2020/21 to enable the completion of unfinished capital schemes.

Reasons for Proposed Decision:

To update the Overview and Scrutiny on the year-end financial position for 2019/20, thus supporting Cabinet in making better informed decisions on the allocation of the Council's financial resources based on up-to-date financial information.

1) INTRODUCTION AND BACKGROUND

- 1.1 The Council budgets (both General Fund and HRA) for 2019/20 were agreed by full Council on 21st February 2019.
- 1.2 This report primarily provides the Committee with an overview of the year-end revenue and capital budget outturns for 2019/20.

2) GENERAL FUND OUTTURN 2019/20

- 2.1 The General Fund outturn for 2019/20 – summarised by service area – is presented in **Appendix A**. It shows a that a Budget surplus of £908,351 on service budgets was recorded for the year.
- 2.2 The most significant recorded overspends were as follows:
 - Business Support (“Other Activities”) £864,820 – the most significant factor in the overspend was the need to make additional provision for Bad Debts of £515,410, primarily due to the impact of Covid-19 on the anticipated collectability of outstanding debt; and
 - Contracts & Technical (“Car Parking”) £271,269 – the overspend primarily related to the Off-Street Parking cost centre, with a shortfall of £139,763 in income from season tickets, which was added to by a general shortfall in income from parking fees of £55,573.

2.3 The most significant recorded underspends were as follows:

- Planning (“Local Plan Implementation”) £778,493 – the Local Plan cost centre underspent by £502,531 due to delays experienced in the delivery of the Local Plan
- Chief Executive (“Support Services”) £645,194 – a “Transit Grant” of £500,000 was received from HMRC in the year for the use of North Weald Airfield, which was not assumed within the original budget
- Commercial & Regulatory (“Private Sector Housing”) £486,155 – the underspend was mainly driven by a budget underspend on Private Housing Grants of £322,393, with Disabled Facilities Grants (DFGs) received in the year £204,956 higher than that assumed within the budget being the biggest factor
- Contracts & Technical (“Cost Centres”) £309,608 – the single largest factor in the budget surplus was an underspend on Salaries in the Countryside and Landscape cost centre of £104,364. The budget reflected the restructured staffing profile, but there were delays in recruiting to new posts; and
- Chief Executive (“Other Activities”) £391,411 – spending on Qualis set-up costs was £336,768 lower than assumed within the budget.

3) HOUSING REVENUE ACCOUNT (HRA) OUTTURN 2019/20

3.1 The Council’s (unaudited) Housing Revenue Account (HRA) recorded a Deficit of £285,000 for the year (after accounting adjustments). There were two significant items to note:

- A planned contribution of £500,000 to the Self-Financing Reserve (to finance the repayment of a loan of £31.8 million, due to mature in March 2022) was not achieved in the year due to the need to set aside additional funds into the Major Repairs Reserve (MRR) in accordance with statutory requirements (impact £501,000); and
- An additional provision of £140,000 was made at year-end for Bad Debts, due to the anticipated impact of Covid-19 on the collectability of outstanding debt.

3.2 Whilst the HRA is generally in reasonably good financial health and has not been affected by the pandemic as much as the General Fund, there have still been some negative impacts, with Tenant Rent Arrears rising and, initially at least, a rise in Void periods. The full extent of default on Rent Arrears will be revealed as Lockdown restrictions are gradually lifted and there are competing pressures between indirect Government support to tenants (e.g. through the Council Tax Hardship Fund) and an expected rise in unemployment in Autumn 2020.

4) REVENUE RESERVES (GENERAL FUND & HRA)

4.1 The movement on General Fund and HRA (unallocated) reserves in 2019/20 is summarised in the table below.

Description	31 March 2019	31 March 2020	Increase (+) Decrease (-)
	£000's	£000's	£000's
General Fund Reserve	7,437	7,759	+322
Housing Revenue Account (HRA) Reserve	2,315	2,030	-285

4.2 The closing General Fund balance as at 31st March 2020 is comfortably in excess of the minimum contingency balance of the higher of 25% of Net Expenditure or £4.0 million adopted by the Council in February 2019 (and reconfirmed in February 2020).

4.3 The closing HRA balance as at 31st March 2020 meets the minimum balance requirement of £2.0 million assumed within the adopted HRA 30-Year Business Plan.

5) CAPITAL PROGRAMME (GENERAL FUND & HRA)

5.1 The Council approved an overall Capital Programme of £20.135 million (General Fund £3.328 million, HRA £16.807 million) for 2019/20 on 21st February 2019. Subsequent revisions to the Programme are as follows:

- 2018/19 Capital Programme slippage (£1.775 million) - unspent capital budgets ("slippage") at the end of 2018/19 were rolled forward and added (General Fund £0.454 million, HRA £1.321 million); then
- Re-Profiling – the Programme was then re-profiled in July 2019, to reflect progress and updated spending patterns on individual schemes; and finally
- Investment Property Acquisitions (£30.0 million) – additional capital funding for the purchase of suitable investment properties was approved by Cabinet at its meeting on 19th September 2019; this was added to the General Fund Programme.

5.2 The revised Capital Programme for 2019/20 is summarised – at a service level – in the table below. A more detailed analysis – at a scheme level – is included in **Appendix B**. The revised Programme totalled £49.956 million (General Fund £31.926 million, HRA £18.030 million). Total spending in the year was £43.715 million (General Fund £26.377 million, HRA £17.336 million), with the unspent balance of £6.243 (General Fund £5.549 million, HRA £0.694 million) rolled forward into 2020/21.

Description	Revised Budget 2019/20 (£000's)	Actual Expenditure (£000's)	Remaining Budget (£000's)
General Fund			
Business Support	292	172	(120)
Commercial & Regulatory	30,824	25,922	(4,902)
Community & Partnerships	465	76	(389)
Contracts & Technical	185	97	(88)
Housing & Property	160	110	(50)
Sub-Total	31,926	26,377	(5,549)
Housing Revenue Account (HRA)	18,030	17,336	(694)
Total Capital Programme 2019/20 (Revised)	49,956	43,713	(6,243)

5.3 Significant variances (budget underspends or “slippage”) to note on the General Fund Capital Programme are as follows:

- Business Support – the most significant factor behind the slippage, was the ICT Strategy; underspending of £122,000 occurred, due to several schemes being put on hold, whilst a project was carried out to re-assess ICT needs across the Council. Work also began on a major project to replace the Debtor system, which has continued into 2020/21
- Commercial & Regulatory – a total budget of £30.0 million earmarked for the purchase Investment Property was underspent by £4.8 million (Loughton & Centric Development and 90 Brooker Road only were acquired for £19.8 million and £5.3 million respectively). The unspent balance is available for future potential investment opportunities as they arise; and
- Community & Partnerships – the most significant item related to a planned contribution to the Superfast Essex Phase 4.1 (broadband) scheme of £350,000. Rollout was initially planned for December 2019. However, that timescale proved unachievable; rollout has now been re-scheduled for March 2021.

5.4 There were a handful of variances underlying slippage of £694,000 on the HRA Capital Programme. Most significantly:

- Structural Schemes (£688,000 overspend) – the budget overspent in 2019/20, primarily due to a higher than expected need for remedial works in respect of tree damage to properties (essentially root activity undermining property foundations). Other cost pressures were experienced on both external (e.g. wall rendering) and internal (e.g. ceilings and plasterwork) too in Council housing stock mainly built in the 1950s and 1960s. However, the overspend was identified during the year, with offsetting savings found in other budget areas to ensure that the overall Programme was brought in on budget. Most notably:
 - Kitchens and Bathrooms (£322,000 underspend) – e.g. savings of £70,000 and £120,000 were made on Kitchens and Bathrooms respectively; and

- Windows, Doors and Roofing (£307,000 underspend) – e.g. savings of £260,000 were made on both Windows and Balconies.
- Housing Development (£640,000 underspend) – over 90% of spending happened in accordance with the planned programme. The slippage that did occur was due to a combination of factors, including delays on the Phase 2 Burton Road scheme (due to the need for repair work following water damage caused by a fire) and on the Phase 3 Queens Road scheme (due to utility works). The start date on site for Phase 4 – originally scheduled for September 2019 – slipped into 2020/21 (partly due to Covid-19 preventing – an otherwise achievable – start date in March 2020).

Legal and Governance Implications:

The Council has a statutory obligation to maintain a balanced budget and the monitoring process enables the Cabinet to remain aware of issues and the process to be taken to maintain a balanced budget for the year.

Safer, Cleaner and Greener Implications:

There are no direct SCG implications contained within the report.

Consultation Undertaken:

The development of the original 2019/20 budget was informed by the statutory public consultation process and the democratic scrutiny process.

Background Papers:

Management Accounts 2019/20 (Month 12)
Epping Forest District Council: Statement of Accounts 2019/20 (DRAFT)

Risk Management:

The report is primarily presented for information only and has no risk management implications, although regular monitoring and reporting of the type included in this report ensures early warning of significant issues that may place the Council at financial risk. This gives the Cabinet the best opportunity to take actions to mitigate such risks.

Appendix A

General Fund Revenue Outturn 2019/20

The table below summarises the 2019/20 outturn position for the General Fund.

Service Area	Activity	Net Expenditure			Impairment Adjustments	Adjusted Variances
		Budget (M12)	Actual	Variance		
		£'s	£'s	£'s		
Business Support	Accommodation	19,320	1,045,465	1,026,145	(1,030,239.00)	- 4,094.03
	Business Support	1,787,970	1,608,863	(179,107)		- 179,107.24
	Cost Centres - Business Support	116,560	-	(116,560)		- 116,560.00
	Finance Support Services	772,870	838,807	65,937		65,936.89
	ICT	(142,680)	47,360	190,040		190,039.95
	Other Activities	(106,270)	758,550	864,820		864,820.09
	Other Support Services	1,315,360	1,504,075	188,715		188,715.18
	Sub-Total	3,763,130	5,803,120	2,039,990		1,009,750.84
Community & Partnerships	Community, Health & Wellbeing	973,460	931,517	(41,943)	(219,452.00)	- 261,394.52
	Community & Partnership	1,356,530	1,059,099	(297,431)		- 297,431.24
	Community & Partnership Support Services	264,000	324,631	60,631		60,630.76
	Cost Centres - Community & Partnerships	(152,190)	3,697	155,887		155,887.43
	Museum, Heritage & Culture	953,310	641,976	(311,334)	351,330.00	39,996.32
	Voluntary Sector Support	370,470	345,530	(24,940)		- 24,940.23
	Sub-Total	3,765,580	3,306,451	(459,129)		- 327,251.48
Commercial & Regulatory	Commercial & Regulatory Support Services	598,900	767,474	168,574		168,574.26
	Cost Centres - Commercial & Regulatory	(116,340)	25,464	141,804		141,803.91
	Emergency Planning & Other	186,100	86,392	(99,708)		- 99,708.26
	Environmental Health	814,880	724,680	(90,200)		- 90,199.53
	Land & Property	(6,332,570)	(7,057,030)	(724,460)	800,000.00	75,540.40
	North Weald Centre	48,030	(164,495)	(212,525)	164,321.00	- 48,204.36
	Private Sector Housing	519,090	32,935	(486,155)		- 486,155.40
	Regulatory Services	267,590	134,973	(132,617)		- 132,617.16
	Sub-Total	(4,014,320)	(5,449,607)	(1,435,287)		- 470,966.14
Contracts & Technical Services	Car Parking	(749,490)	(569,594)	179,896	91,373.00	271,268.91
	Contracts & Technical Support Services	305,090	281,451	(23,639)		- 23,639.04
	Cost Centres - Contracts & Technical	179,080	(130,528)	(309,608)		- 309,607.73
	Land Drainage/Sewerage	700,070	723,247	23,177		23,177.04
	Leisure Facilities	56,190	223,618	167,428		167,427.76
	Parks & Grounds	1,037,720	1,021,138	(16,582)		- 16,582.38
	Waste Management	5,413,940	5,416,541	2,601		2,601.46
	Sub-Total	6,942,600	6,965,873	23,273		114,646.02
Customer Services	Cost Centres - Customer Services	(208,170)	-	208,170		208,170.00
	Customer Support Services	1,569,170	1,478,297	(90,873)		- 90,872.57
	Elections	455,930	431,191	(24,739)		- 24,738.59
	Housing Benefits	953,850	760,887	(192,963)		- 192,963.17
	Local Taxation	1,173,280	1,223,039	49,759		49,759.12
	Member Activities	837,630	900,992	63,362		63,362.23
	Sub-Total	4,781,690	4,794,407	12,717		12,717.02
Housing & Property	Cost Centres - Housing & Property	(61,390)	-	61,390	(1,751,820.00)	61,390.00
	Facilities & Depot Management	(74,580)	1,786,680	1,861,260		109,440.35
	Homelessness	246,390	205,503	(40,887)		- 40,886.74
	Housing Policy	76,510	56,040	(20,470)		- 20,470.00
	Housing & Property Support Services	335,140	138,178	(196,962)		- 196,961.75
	Sub-Total	522,070	2,186,402	1,664,332		- 87,488.14
Planning	Cost Centres - Planning Services	(58,790)	-	58,790		58,790.00
	Local Plan Implementation	3,280,490	2,501,997	(778,493)		- 778,492.92
	Planning & Development	637,810	629,336	(8,474)		- 8,474.48
	Planning Support Services	440,610	423,961	(16,649)		- 16,649.29
	Sub-Total	4,300,120	3,555,293	(744,827)		- 744,826.69
Chief Executive	Chief Executive Support Services	856,030	210,836	(645,194)		- 645,193.67
	Corporate Activities	973,120	1,594,793	621,673		621,672.66
	Other Activities	745,120	353,709	(391,411)		- 391,411.25
	Sub-Total	2,574,270	2,159,338	(414,932)		- 414,932.26
General Fund Total		22,635,140	23,321,276	686,136	(1,594,487.00)	(908,351)

Appendix B

Capital Programme Outturn 2019/20

The table below summarises the 2019/20 outturn position for the Capital Programme.

Description	Budget (including 2018/19 roll forwards) (£000's)	Actual Expenditure (£000's)	Remaining Budget (£000's)
GENERAL FUND PROGRAMME 2019/20			
<i>Business Support</i>			
ICT General Schemes	0	2	2
ICT Strategy	292	170	(122)
Sub-Total	292	172	(120)
<i>Commercial & Regulatory</i>			
St. Johns	172	0	(172)
Accommodation Project	425	492	67
Epping Forest Shopping Park	30	8	(22)
Waltham Abbey SP	86	86	0
Landmark Building	111	31	(80)
Investment Property Acquisitions	30,000	25,167	(4,833)
North Weald Airfield	0	138	138
Sub-Total	30,824	25,922	(4,902)
<i>Community & Partnership Services</i>			
CCTV Systems	115	76	(39)
Superfast Broadband (Contribution)	350	0	(350)
Sub-Total	465	76	(389)
<i>Contracts & Technical Services</i>			
Leisure Centres	78	75	(3)
Grounds Maintenance	47	22	(25)
Parking & Traffic Schemes	60	0	(60)
Sub-Total	185	97	(88)
<i>Housing & Property</i>			
Depots	53	52	(1)
Investment Properties Works	90	41	(49)
Active Planned Maintenance	17	17	0
Sub-Total	160	110	(50)
Total General Fund	31,926	26,377	(5,549)

Appendix B (cont.)

Capital Programme Outturn 2019/20 (cont.)

	Budget (including 2018/19 roll forwards)	Actual	Variance/Slippage
HOUSING REVENUE ACCOUNT (HRA) PROGRAMME 2019/20			
Housing Developments	7,525	6,885	(640)
Heating & Rewiring	2,211	2,259	48
Windows, Doors & Roofing	2,277	1,970	(307)
Other Planned Maintenance	171	120	(51)
Kitchens & Bathrooms	1,660	1,338	(322)
Garages & Environment Works	315	187	(128)
Structural Schemes	2,255	2,943	688
Disabled Adaptations	491	497	6
Other Repairs & Maintenance	246	236	(10)
Service Enhancements	107	-1	(108)
Replacement Housing Vehicles	59	45	(14)
Oakwood Hill Depot Extension	1,013	858	(155)
HRA Leasehold Property Works (CR)	-300	0	300
Total HRA	18,030	17,336	(694)

Overall EFDC Capital Programme	49,956	43,713	(6,243)
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