

**Eden District Council**  
**Executive**  
**7 July 2015**  
**Scrutiny Co-ordinating Board**  
**10 September 2015**  
**Revenue Expenditure Outturn 2014-2015**  
**Lead Officer: Director of Finance**  
**Lead Portfolio: Resources**

**1. Purpose of the Report**

- 1.1 This report sets out the difference between the revised revenue budget for 2014-2015 and the outturn. It also seeks to identify any variances that might have an ongoing impact on the Council's revenue budgets.

**2. Recommendation**

|                               |
|-------------------------------|
| The revenue outturn is noted. |
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**3. Background to the Report**

- 3.1 The draft accounts for 2014-2015 have been completed and passed to the external auditor. These have been available on the Council's website since 18 June 2015. A link was put on the Members' Bulletin Board. After completion of the audit, the accounts will be presented to the Accounts and Governance Committee on 24 September 2015.
- 3.2 As usual, the aspect of the accounts of most interest to Members is likely to be how the outturn compares to the agreed budget.
- 3.3 The revised budget for 2014-2015 was agreed by Council on 19 February 2015 as follows:

|                  | £'000 |
|------------------|-------|
| Net Expenditure  | 8,098 |
| Funding          | 7,352 |
| Budgeted deficit | 746   |

#### 4. Revenue Outturn 2014-2015

4.1 The variance is calculated as follows:

|                                                        | £'000      |
|--------------------------------------------------------|------------|
| <b>Expenditure greater than funding</b>                |            |
| As per final agreed budget                             | 746        |
| Subsequent supplementary estimates                     | 13         |
| Less: Budget carry forwards                            |            |
| Revenue: as agreed by Council                          | -365       |
| Capital (revenue funded): to be recommended to Council | -172       |
| <b>As Adjusted: Expenditure greater than funding</b>   | <b>222</b> |
| <b>Per outturn: Expenditure less than funding</b>      | <b>617</b> |
| <b>Variance to explain</b>                             | <b>839</b> |

4.2 The variance of £827,000 can be explained as follows (- = increasing the surplus:  
+ = reducing the surplus):

|                                                                  | £'000 | £'000       | See Paragraph |
|------------------------------------------------------------------|-------|-------------|---------------|
| <b>a. Major Variances</b>                                        |       |             |               |
| Business Rates Retention Scheme (BRRS) income more than budgeted |       | -401        | 4.3           |
| Recovery of overpaid housing benefit more than budgeted          |       | -149        | 4.4           |
| <b>b. Larger Variances (less than £10,000)</b>                   |       |             |               |
| Net salary underspend                                            | -28   |             | 4.5           |
| Repairs and renewals funding contributions                       | -35   |             | 4.6           |
| Burial fees                                                      | -33   |             | 4.7           |
| Blue collar contracts                                            | -30   |             | 4.8           |
| Other - see Appendix                                             | -152  | -278        |               |
| <b>c. Smaller Variances (net)</b>                                |       | -161        |               |
| <b>d. General budget provision for underspend</b>                |       | <b>150</b>  | 4.9           |
| <b>Total</b>                                                     |       | <b>-839</b> |               |

#### 4.3 Business Rates Retention Scheme

4.3.1 The excess of actual income over the estimate can be explained as follows:

|                                         | £'000      | See Paragraph |
|-----------------------------------------|------------|---------------|
| Underestimate of income                 | 77         | 4.3.2         |
| Reduction in levy payment due to appeal | 184        | 4.3.3         |
| Income from pooling                     | 140        | 4.3.4         |
|                                         | <u>401</u> |               |

4.3.2 This represents an under-budget of about 4%: the budget methodology will be revisited during the next budget cycle.

4.3.3 The way that BRRS has to be accounted for causes some perversity in the timing of when costs and income are shown in the revenue account. As previously reported in the budget cycle, one major appeal in relation to business rates is pending resolution. Full provision has been made for this in the accounts: hopefully, the case will be decided in the Council's favour, but it is prudent to account for the case being lost. Perversely, this **increases** BRRS income in 2014-2015 because the levy payable to the Government is reduced by £184,000.

The Collection Fund for business rates as at 31 March 2015 shows a total deficit of £848,000. Of this, £339,000 is attributable to this Council: in effect, this is the cost side (grossed up for the levy impact) of making provision for the appeal. This deficit share will ultimately reduce the Council's BRRS income, but it will only hit the revenue account in 2016-2017 (sic).

4.3.4 At its meeting on 10 October 2013, the Council agreed to participate in a Cumbria business rates pool. It was agreed:

- not to budget for any pooling income in 2014-2015 due to uncertainty as to how pooling would work in practice
- allocate any income received to economic development purposes

Subsequently, the Council agreed a budget of £250,000 at its meeting on 4 December 2014 for the Business Support Fund: it was agreed that the funding, 'will initially be made from reserves (as a supplementary estimate) with it being subsequently reimbursed from pool income once it is confirmed.' So the £140,000 income from pooling reduces the amount of the £250,000 funded from reserves.

How to budget for pooling income in the future will be considered in the forthcoming Resources Plan.

#### 4.4 Recovery of Overpaid Housing Benefit

4.4.1 The excess of actual income over the estimate can be explained as follows:

|                                             | £'000      | See<br>Paragraph |
|---------------------------------------------|------------|------------------|
| Higher level of overpayments recovered      | 120        | 4.4.2            |
| Change in provision for overpayment debtors | 29         | 4.4.3            |
|                                             | <u>149</u> |                  |

4.4.2 The Council keeps part of any recovered overpayment as a 'reward'. The level of overpayments recovered has been higher than anticipated. In particular, new Department for Work and Pensions (DWP) review software (Real Time Information (RTI)) has led to a number of high overpayments being identified and recovered: these were identified after the estimate was drawn up. It is not yet clear to what extent this level of income will continue: the long-term impact of RTI may be to reduce overpayment levels by identifying overpayments at an earlier stage than at present. In addition, the transfer of investigating housing benefits fraud to the DWP from July 2015 may impact on the level of overpayments recovered. It will be important to look in detail at estimated levels of overpayment and their recovery in the forthcoming estimate cycle.

4.4.3 This is, in effect, 'book profit' and reflects the lower level of provision made against unrecovered overpayment balances.

#### **4.5 Net Salary Underspend**

4.5.1 The net salary budget is made up of the full cost of salaries less an assumed vacancy rate: for 2014-2015 this was 2.3%.

4.5.2 The net revised budget for 2014-2015 was £4,515,000. The underspend of £28,000 is less than 1%.

#### **4.6 Repairs and Renewals Fund Contribution**

4.6.1 A range of equipment is funded through the fund. The purchase cost of equipment is charged to the revenue account over its life.

4.6.2 Changes to the profile of equipment purchases, especially in relation to leisure, has reduced the in-year revenue contributions. The phasing of purchases is always reviewed as part of the estimate cycle.

#### **4.7 Burial Fees**

4.7.1 Fee income can vary considerably from year to year depending on the number of burials. Burials in 2014-2015 were high.

#### **4.8 Blue Collar Contracts**

4.8.1 A number of small contingencies for non-planned work were not fully used.

4.8.2 The total budget for the contracts is £1,736,000. The underspend of £30,000 is less than 2%.

#### **4.9 General Budget Provision for Underspend**

4.9.1 As part of setting the budget, the central contingency includes a reduction in the budget to reflect the likely level of day-to-day underspend of budgets. This is sometimes because circumstances change. Also, it reflects the fact that some budgets are forms of contingency, for example, provision for legal costs, and are only used when required. As can be seen, this provision was close to the total of budget variances individually under £10,000 (this was also the case last year).

### **5. Policy Framework**

5.1 The Council has four corporate priorities which are:

- Decent Homes for All
- Strong Economy, Rich Environment
- Thriving Communities
- Quality Council

5.2 The budget forms a key part of the policy and budgetary framework.

## **6. Implications**

### **6.1 Legal**

6.1.1 There are no implications.

### **6.2 Financial**

6.2.1 Any decision to reduce or increase resources must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-2019 as agreed at Council on 16 April 2015.

6.2.2 Review of the outturn has indicated a number of areas where it may be possible to reduce the 2015-2016 budget and the ongoing base budget. These will be looked at in detail as part of the 2016-2017 estimate cycle. In particular, how BRRS pooling income is dealt with will be considered in the Resources Plan.

### **6.3 Equality and Diversity**

6.3.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equality Act 2010 and related statutes.

6.3.2 There are no implications.

### **6.4 Environmental**

6.4.1 The Council has to have due regard to conserving biodiversity under the Natural Environment and Rural Communities Act 2006.

6.4.2 There are no implications.

### **6.5 Crime and Disorder**

6.5.1 Under the Crime and Disorder Act 1998, the Council has to have regard to the need to reduce Crime and Disorder in exercising any of its functions.

6.5.2 There are no implications.

### **6.6 Children**

6.6.1 Under the Children Act 2004, the Council has to have regard to the need to safeguard and promote the welfare of children in the exercise of any of its functions.

6.6.2 There are no implications.

### **6.7 Risk Management Implications**

6.7.1 Risk Management is a process whereby attempts are made to identify, actively control and reduce risk to protect the Council. This covers not only the traditional areas of insurable risk, but also the organisational risk that the Council faces in undertaking all its activities.

6.7.2 Given the current financial circumstances, it is important that the budgets and ongoing base budget are as accurate as possible. If the budget is overstated, any future budget reductions made may be higher than needed. The 2014-2015 outturn will be taken account of in the 2016-2017 budget cycle.

D J Rawsthorn  
Director of Finance

**Governance Checks:**

|                                                        |   |
|--------------------------------------------------------|---|
| Checked by, or on behalf of, the Chief Finance Officer | ✓ |
| Checked by, or on behalf of, the Monitoring Officer    | ✓ |

**Background Papers:**

- Agreed 2014-2015 budget: the Budget Book
- Financial Services working papers detailing the budget variances
- Director of Finance final accounts file

Contact Officers: David Rawsthorn/Clive Howey  
Telephone Numbers: 01768 212211/01768 212213

**Larger Variances**

|                                      | <b>£'000</b>       | <b>Notes</b>                          |
|--------------------------------------|--------------------|---------------------------------------|
| Community governance review          | -10                | The review was a one-off exercise     |
| Licensing income                     | -17                | Will be reviewed in next budget cycle |
| Investment interest                  | -21                | Will be reviewed in next budget cycle |
| Parking: contract costs              | -17                | Will be reviewed in next budget cycle |
| Parking: income                      | -11                | Will be reviewed in next budget cycle |
| Development Control - income         | -16                | Will be reviewed in next budget cycle |
| Building maintenance                 | -28                | Will be reviewed in next budget cycle |
| Photocopying                         | -10                | Will be reviewed in next budget cycle |
| Pitch hire income                    | -11                | Will be reviewed in next budget cycle |
| Community Right to Challenge - grant | -11                | One-off impact                        |
| <b>Total</b>                         | <b><u>-152</u></b> |                                       |