

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES
23 NOVEMBER 2011

EXECUTIVE
6 DECEMBER 2011

COUNCIL
13 DECEMBER 2011

OVERVIEW OF GENERAL FUND REVENUE BUDGET 2011/12

1. PURPOSE OF THE REPORT

- 1.1 To advise Members of the overall projected financial position of the General Fund Revenue Budget after six months, for the 2011/12 financial year.

2. REVENUE POSITION – EXECUTIVE SUMMARY

| FUND | Latest Approved Budget | Stewardship Variance Sept 2011 | Outturn Forecast 2011/12 |
|---------------|------------------------|--------------------------------|--------------------------|
| | £ | £ | £ |
| General Fund | 14,173,620 | 300,981 | 14,474,601 |
| HRA* | 499,390 | (154,130) | 345,260 |
| * Net deficit | | | |

GENERAL FUND – Appendix A

- 2.1 The Service Committee budgets shows a forecast overspend of £384,220 (2.95%) against a revised Service Committee Net Expenditure budget of £13,003,620 and an overall overspend of £300,981 against General Fund Expenditure including investment interest and funds set aside for the repayment of debt.
- 2.2 Details of the variances are being disclosed in stewardship reports to individual Scrutiny Committees during the current cycle of meetings. However the main variances are as follows:
- 2.3 **Scrutiny Committee Community – (An underspend of £188,620)**

There will be a saving on staff costs in Environmental Protection as a result of a vacancy which will not be filled. This has caused an underspend of £52,370.

Cleansing services is anticipated to overspend by £150,000 as a result of the increased cost of fleet.

Within the Museums Service there will be a saving on staff costs as a result of some grades being lower than anticipated in the estimates following the Job Evaluation exercise, although in some cases the reduction will not be fully realised in the current year due to pay protection. The anticipated saving is £75,190.

Income from the sale of recyclates is expected to exceed the estimates, and the cost of freight is expected to be less than estimated. It is estimated that the underspend will total ££279,170.

A number of issues have arisen in respect of Advisory Services in General Fund Housing, including an increase in cleaning, repairs & maintenance and a reduction in grant from Devon CC for the Supporting People contract. This has caused a projected overspend of £109,600.

Other variances within the Committee result in a net underspend of £41,490, leaving an anticipated total underspend for the Committee of £135,960.

2.4 Scrutiny Committee Economy – (An overspend of £445,500)

Additional expenditure will be incurred in Planning in respect of costs awarded against the Council regarding a planning appeal at Hill Barton Farm. This will contribute towards an anticipated overspend of £65,880.

Car parking income is 4.9% below budget due to the economic climate. Whilst there are some savings, the anticipated overspend is £216,970.

There is an anticipated overspend in respect of the closure of the Archaeological Field Unit. The cost, which was reported to the Executive in March 2011, has increased slightly to £268,420.

Additional income is expected in respect of livestock sales, commission and rental income, contributing to an estimated underspend of £95,660.

Other variances within the Committee result in a net underspend of £10,110, leaving an anticipated total overspend for the Committee of £445,500.

2.5 Scrutiny Committee Resources – (An overspend of £127,340)

It is anticipated that there will be a reduction in the amount of Housing Benefit Subsidy received, mainly in respect of non HRA rent allowances, however this has been partially offset by an increase in the use of private sector landlords as opposed to Bed & Breakfast, which attracts greater subsidy. This has resulted in an estimated overspend of £171,160 (0.38%) against the £44.7 million budget.

A reduction in staffing and maintenance work in Corporate Customer Services has resulted in an underspend of £117,710.

Other variances within the Committee result in a net overspend of £73,890, leaving an anticipated total overspend for the Committee of £127,340.

3. OTHER FINANCIAL VARIATIONS

3.1 There is a net transfer from Earmarked Reserves of £140,350, an increase of £21,350 from budget.

3.2 The Council has been awarded £389,165 in the form of the New Homes Bonus. This is an unringfenced grant that the Council may use as it chooses.

3.3 After the completion of the final accounts for 2010/11, the provision for the repayment of debt has been calculated and is £118,739 lower than the estimate. It is anticipated that net interest paid will be £35,500 higher than anticipated owing to a credit downgrade of the two banks which the Council holds call accounts. The Council is now using the Government's Debt Management Office at a much lower interest rate, but with the security of a triple AAA rated account.

3.4 The overall net transfer to the General Fund Working Balance is estimated to be £189,964 at 31 March 2012 after accounting for July approved supplementary budgets of £147,270.

4. HOUSING REVENUE ACCOUNT (HRA) (APPENDIX B)

4.1 During this period the total budget variances indicate that there will be a net surplus of £154,130 which will be transferred to the HRA working balance at 31 March 2012. This represents a reduction of £345,260 compared to the budgeted reduction to the working balance of £499,390. It is estimated that the working balance will stand at £3,570,681 at 31 March 2012.

4.2 Details of the variances are being disclosed in stewardship reports to Scrutiny Committee Community during the current cycle of meetings.

5. PROGRESS ON SAVINGS

5.1 The Council identified £2.4 million savings whilst setting the 2011-12 budget. Appendix C sets out the progress services have made towards meeting the savings identified. After six months it is anticipated that £2.2 million (92%) of the savings will be achieved.

5.2 There are a number of reasons for some of the savings not being achieved. Some have been approved and others are outside the control of the Council. In general, however, the Council is on track to broadly meet the savings approved in February.

6. OUTSTANDING SUNDRY DEBT

6.1 The Council issues invoices for a range of sundry debts, including :-

- Commercial rent
- Trade waste
- Service charge and ground rent for leasehold flat owners
- Home call alarms
- Housing benefit overpayments
- A range of other services such as room rental.

This does not include housing rent, council tax or business rate debt.

6.2 An aged debt analysis of the Council's sundry debts is shown in the table below. Debt over 30 days old has decreased over the year from £2.186m to £1.884m – a reduction of £302,000. Debts over 5 years old relate in the main to three services, Housing Benefit overpayments (£144,378), Engineering (£20,938) and Housing (£14,659).

| Age of Debt | September 2010 | September 2011 |
|-------------------------|-----------------------|-----------------------|
| Up to 29 days (current) | £939,888 | £1,050,653 |
| 30 days – 1 Year | £995,544 | £862,928 |
| 1 – 2 years | £406,598 | £405,545 |
| 2 – 3 years | £235,441 | £214,130 |
| 3 – 4 years | £141,627 | £141,298 |
| 4 – 5 years | £120,569 | £79,561 |
| 5 + years | £286,438 | £180,376 |
| Total | £3,126,105 | £2,934,491 |

6.3 Of the outstanding debt, the table below sets out the main services and debts owing:

| | Outstanding Debt – 30 Sept 2011 |
|--|--|
| | £ |
| ▪ Commercial rent | 633,405 |
| ▪ Markets & Halls | 55,489 |
| ▪ Trade waste | 86,155 |
| ▪ Service charge and ground rent for leasehold flat owners | 79,560 |
| ▪ Home call alarms | 6,149 |
| ▪ Housing benefit overpayments* | 1,044,163 |
| ▪ Engineering | 20,938 |
| ▪ AFU | 175,142 |
| ▪ Economy & Tourism | 86,592 |
| ▪ HRA | 78,448 |
| ▪ General Fund Housing | 97,250 |
| ▪ River & Canal | 38,401 |

- These overpayments occur largely due to claimants' change of circumstances which leads to a lower benefit entitlement once a reassessment is made. This figure represents about 2.4% of the total annual benefits paid and more than 90% of these amounts are usually recovered.

7. DEBT WRITE-OFFS

7.1 The following amounts have been written-off during the first six months of 2011/12:

| | |
|------------------|--------|
| | £ |
| • Council Tax | 69,230 |
| • Business Rates | 0 |
| • Sundry Debt | 96,528 |
| • Housing Rents | 7,068 |

8. CREDITOR PAYMENTS PERFORMANCE

8.1 During the first six months of 2011/12, the percentage of invoices paid within 30 days was 96.6%, which is marginally lower than the first quarter performance of 97.0%.

9. CONCLUSION

9.1 The forecast increase in Service Committee net expenditure for 2011/12 totals £384,220 including the supplementary budgets of £147,270. This together with transfers from Earmarked Reserves, net interest paid, the New Homes Bonus and provision for the repayment of debt will result in a transfer of £189,534 to the General Fund Working Balance.

9.2 The forecast General Fund Working Balance at 31 March 2012 is £4,382,861 and equates to 31% of the General Fund net expenditure.

9.3 It is estimated that the HRA working balance will be £3,570,681 at 31 March 2012.

9.4 The creditors' payment performance has remained steady and is currently 96.6%.

10. RECOMMENDATION

10.1 That Scrutiny Resources Committee notes and Executive recommend that the Council approve:

- The General Fund forecast financial position for the 2011/12 financial year
- The HRA forecast financial position for 2011/12 financial year
- The outstanding Sundry Debt position as at September 2011
- The creditors' payments performance

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling the report:

None