

## EXETER CITY COUNCIL

### SCRUTINY COMMITTEE – RESOURCES 20 JUNE 2012

EXECUTIVE  
3 JULY 2012

COUNCIL  
17 JULY 2012

### OVERVIEW OF REVENUE BUDGET 2011/12

#### 1. PURPOSE OF THE REPORT

- 1.1 To advise Members of the overall financial position of the HRA & General Fund Revenue Budgets for the 2011/12 financial year.

#### 2. HOUSING REVENUE ACCOUNT (Appendix A)

- 2.1 The final accounts show an overall increase in the HRA working balance from £3,917,868 to £5,764,423, an increase of £1,848,482 as compared with the planned reduction of £499,390.
- 2.2 There is a net underspend of £1,834,077 in the planned contribution to the Repairs Fund. This is due to a significant underspend in the HRA capital programme and the fact that the capital programme has been financed from other capital resources. There has also been additional income from rents.
- 2.3 The HRA made a one-off debt settlement payment to the Department for Communities and Local Government (DCLG) of £56,884,000 on 28 March as part of the implementation of the HRA self-financing scheme. Statute requires this revenue transaction to be written out of revenue and treated as capital expenditure. The Council has borrowed £56,884,000 from the PWLB over fifty years, to finance this payment.
- 2.4 The Major Repairs Allowance is 'ring fenced' for capital works and amounts to £3,501,524. As a result of other capital resources being available, £3,149,400 has been put into the Major Repairs Reserve to fund future capital investment in the HRA.
- 2.5 The Council's new properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing. The total budget variances for 2011/12 have resulted in a net surplus of £26,279, which will be transferred to the Council Own Build (COB) working balance. This has increased the working balance to £28,207 at 31 March 2012.

#### 3. GENERAL FUND (Appendix B)

- 3.1 Regular reports have been made each quarter on the estimated revenue outturn for each Scrutiny Committee. The final outturn has now been calculated and major differences from the approved annual budget are highlighted below.
- 3.2 During the year, the Government issued a capitalisation directive to the Council allowing us to capitalise (and not charge to revenue immediately) up to £1 million of redundancy costs. Actual redundancy costs of £460,157 have been capitalised during the year.

3.3 There has been a downwards adjustment for IAS19 (formerly FRS17) of £39,914; this is an actuarial adjustment to reflect the cost of employing our staff in terms of pension liability and has no effect on the Council Tax.

3.4 If the adjustments highlighted above for IAS19 and also Capital Charges are taken into account, the Service Committees show an overall underspend of £371,320 against a revised budget of £13,003,620.

### **Borrowing and Investments**

3.5 In addition to Service Committee net expenditure, interest receivable and payable is credited to the General Fund. The net interest paid was £10,184 less than the budget and this is discussed in the Treasury Management report elsewhere on the agenda. Interest rates remain historically low and this has had a positive impact on borrowing rates.

3.6 A small investment loss has been recorded of £12,983 as a result of movements in foreign exchange rates on receiving back funds from Iceland. A further investment gain has been made of £289,566 as it is expected that the Council will receive all of its money back from the Icelandic banks. As the original loss was capitalised last year, the gain has been written back against capital, which will reduce future repayments of debt. In 2011/12, a provision of £919,552 has been made for the statutory repayment of debt.

3.7 Additional income has been received in the form of the New Homes Bonus of £389,165.

3.8 The main Service Committee variations for the financial year are:

#### **General**

3.8.1 There has been a substantial underspend in respect of support services, which has been recharged across all services (£707,488).

#### **Economy & Development**

3.8.2 Income from Car Park fees was 3.5% below budget and season tickets income was 14.1% below budget. Other income and savings on employee costs have reduced the overspend to £37,836. As anticipated, the cost of closing the Archaeological Field Unit has resulted in an unbudgeted overspend of £141,926. Additionally it is proposed to carry forward £69,381 in an Earmarked Reserve to offset costs in 2012/13 (see 3.10.3).

3.8.3 Additional Planning Fee income has contributed to an underspend of £65,188. Markets & Halls have earned substantially higher income than budgeted causing an underspend of £297,459. In total the Committee has underspent by £416,460.

#### **Community & Environment**

3.8.4 The new contract for management of the sports facilities has exceeded budget by £299,233, however this was due entirely to capital charges, which are removed from the Council's accounts and do not impact on the level of Council Tax.

3.8.5 Increased income from the sale of materials contributed to a surplus of £489,515 against the Recycling budget.

3.8.6 General Fund Housing is broadly on budget. Whilst Housing Advisory services overspent by £118,051, the overspend is nearly offset by underspends of £19,849 and £85,597 on Strategic Housing and Private Sector Housing respectively.

3.8.7 Overall the Committee has underspent by £697,920.

### **Resources**

- 3.8.8 There has been an increase in the level of benefits paid, for which subsidy is not received, causing an overspend of £229,917. This has been reduced by savings in Treasury Administration, which have left the service £180,192 over budget.
- 3.8.9 Strain payments to the pension fund to meet the approved cost of the early release of pensions to former employees were not included in the original budget. The cost has contributed to a variance of £312,349.
- 3.8.10 Overall the Committee has overspent by £599,841.

### **Revenue Contribution to Capital**

- 3.9 There has been a contribution of £49,000 from Revenue to fund Capital Expenditure, reflecting money received, that previously was treated as a capital receipt.

### **Earmarked Reserves**

- 3.10 Seven new earmarked reserves are being proposed:-
- 3.10.1 A surplus has been accumulated over a number of years in respect of the Council's Green Travel Plan. This surplus will be transferred to a newly created earmarked reserve and used to fund the revised Green Travel Plan (£34,122).
- 3.10.2 Income has been received in respect of Habitats Assessments. This has been transferred to an earmarked reserve to fund future expenditure (£46,234).
- 3.10.3 An underspend on the AFU archiving budget has been transferred to an earmarked reserve to enable any outstanding archiving work to be completed (£69,382).
- 3.10.4 The reduced personnel in the Countryside service resulted in some work for which grant funding had been received not being achieved; the unused funding will be placed in an earmarked reserve to enable it to be used to complete the works (£29,831).
- 3.10.5 An earmarked reserve is to be created for additional grass cutting should weather conditions in the future cause excess expenditure in the service (£30,000).
- 3.10.6 A reserve is to be created to cover the cost of the voluntary redundancy programme in future years (£400,000).
- 3.10.7 A New Homes Bonus reserve is proposed to finance future infrastructure plans, in line with the agreed policy (£389,165).
- 3.10.8 A reserve is to be created to allow for events in support of the Olympics to take place in Exeter (£22,000).
- 3.11 Additions to Earmarked Reserves totalling £1,056,577 have been made for specific schemes and purposes as summarised below: -
- Scrutiny Committee – Community: £ 95,675
  - Scrutiny Committee – Economy: £171,737
  - Council £789,165

There has also been £328,578 transferred from Earmarked Reserves as follows:-

- Scrutiny Committee – Community: £ 1,165
- Scrutiny Committee – Economy: £194,652
- Scrutiny Committee – Resources £132,761

3.12 During 2011/12 there has been an overall net contribution to Earmarked Reserves of £727,999 as shown in Appendix C. This differs to the budgeted withdrawal of reserves of £119,000 because a number of new reserves are proposed to be set up and a reserve, set up last year, after the budget had been set has been used this year.

3.13 The movement on Earmarked Reserves and the balance at 31 March 2012 are:

	Balance at 31March 2011 £'000	Balance at 31March 2012 £'000	Movement £'000
Earmarked Reserves	1,164	1,892	728

### **General Fund Balance and Supplementary Budgets**

3.14 At 31 March 2011 the General Fund working balance was £4,192,997 and a surplus of £92,528 has been made at 31 March 2012, leaving the current balance at £4,285,425. The minimum requirement for the General Fund working balance was approved by the Executive in February 2012 at £2million.

3.15 There is a small requirement for supplementary budgets in 2012/13; which is set out in 3.16 below.

3.16 The Council has identified at the end of the year a number of revenue budgets that have not been spent but where a commitment is required in the following financial year. It is therefore proposed that supplementary budgets totalling £138,260, identified in Appendix D are approved in 2012/13: -

- Scrutiny Committee – Resources; £ 12,000
- Scrutiny Committee – Community; £ 55,200
- Scrutiny Committee – Economy; £ 71,060

3.17 Taking into account the proposed supplementary budgets above, the uncommitted General Fund working balance at 31 March 2012 is £4,147,165.

3.18 The Council is still faced with considerable financial challenges in the medium term particularly in respect of the significant reduction in grant as the new Government tackles the issue of reducing the national budget deficit.

### **3.19 Achievement of Savings**

The Council identified £2.4 million savings whilst setting the 2011-12 budget. Appendix E sets out the achievement of these savings. £2.181million (90%) of the savings have been achieved.

#### 4. COUNCIL TAX

4.1 As at 1 April 2011, arrears amounted to £2.360m, the movements during 2011/12 were as follows:

	£m	£m
Arrears at 1 April 2011		2.360
Add:		
2011/12 debits raised net of discounts, benefits and transitional relief	48.164	
Less:		
Payments received	(48.796)	
Refunds and change in pre-payments	861	
Write-offs	<u>(171)</u>	
Arrears at 31 March 2012		<u>£2.418</u>

4.2 Against the arrears of £2.418m, a bad and doubtful debt provision of £855,000 has been provided, calculated in accordance with the appropriate accounting guidelines.

4.3 The 'In-Year' collection rate has decreased slightly in comparison with the previous year. The collection rate for 2011/12 was 97.4% compared with 97.5% in 2010/11.

#### 5. OUTSTANDING SUNDRY DEBT

5.1 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
- and a range of other services

In these quarterly reports, comparisons are made to inform members of progress in recouping this debt. This does not include housing rent, council tax or business rate debt.

5.2 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 £1.998m to £1.719m – a reduction of £279,000. Debts over 5 years old relate in the main to two services, Housing Benefit overpayments (£140,464) and Housing (£13,922).

Age of Debt	March 2011	March 2012
Up to 29 days (current)	£1,706,488	£1,320,699
30 days – 1 Year	£ 931,746	£ 831,060
1 – 2 years	£ 389,184	£ 344,792
2 –3 years	£ 235,297	£ 218,292
3 – 4 years	£ 154,931	£ 84,303
4 – 5 years	£ 57,900	£ 82,126
5 + years	£ 228,676	£ 158,614
<b>Total</b>	<b>£3,704,222</b>	<b>£3,039,886</b>

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

	Outstanding debt – 31 March 2012 £
▪ Commercial rent	900,539
▪ Trade waste / Cleansing	182,626
▪ Service charge, ground rent and major works for leasehold flat owners	63,760
▪ Home call alarms	5,845
▪ Housing benefit overpayments*	1,036,886
▪ Leisure Services & Museums	63,925
▪ Markets & Halls	52,416
▪ AFU	56,761
▪ Economy & Tourism	39,650
▪ HRA	81,697
▪ General Fund Housing	129,692
▪ River & Canal	32,869

\*These overpayments occur largely due to changes to claimants' circumstances resulting in a lower benefit entitlement once a reassessment is made. This figure represents about 2.3% of the total annual benefits paid and in the order of 90% of this amount is recovered.

## 6. DEBT WRITE-OFFS

6.1 The following amounts have been written-off during 2011/12:

• Council Tax	£171,010
• Business Rates	£279,526
• Sundry Debt	£250,178
• Housing Rents	£ 31,998

## **7. CREDITOR PAYMENTS PERFORMANCE**

- 7.1 Creditors' payments continue to be monitored in spite of the withdrawal of Statutory Performance Indicator BVPI8. The percentage paid within 30 days was 96.64% for 2011/12 compared with 94.35% for 2010/11.

## **8. RECOMMENDATION**

It is recommended that Scrutiny Resources Committee and the Executive note the report and Council notes and approves (where applicable):

- 8.1 That the net transfer of £727,999 to Earmarked Reserves as detailed in paragraph 3.11 is approved.
- 8.2 That supplementary budgets of £138,260 is approved as detailed in paragraph 3.16
- 8.3 That Earmarked Reserves at 31 March 2012 be noted;
- 8.4 That the Council Tax account and collection rate be noted;
- 8.5 That the outstanding sundry debt, aged debt analysis and debt write-off figures be noted;
- 8.6 That the creditor payments performance be noted;
- 8.7 By taking into account the overall financial position of the Council as set out in paragraph 3.14 above, the General Fund working balance at 31 March 2012, be approved at £4,285,425;
- 8.8 That the Housing Revenue Account working balance at 31 March 2012 is approved at £5,764,423 and the Council Own Build working balance is approved at £28,207.

## **ASSISTANT DIRECTOR FINANCE**

### **Local Government (Access to Information) Act 1985 (as amended)**

#### **Background papers used in compiling the report:**

None