

REPORT TO RESOURCES SCRUTINY COMMITTEE

Date of Meeting: 1 July 2015

REPORT TO EXECUTIVE

Date of Meeting: 14 July 2015

REPORT TO COUNCIL

Date of Meeting: 28 July 2015

Report of: Assistant Director Finance

Title: OVERVIEW OF REVENUE BUDGET 2014/15

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To advise Members of the overall financial position of the HRA & General Fund Revenue Budgets for the 2014/15 financial year and to seek approval for the General Fund working balance, HRA working balance, a number of supplementary budgets and the creation of new earmarked reserves.

2. Recommendations:

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

- 2.1 That the net transfer of £800,076 from Earmarked Reserves as detailed in paragraph 8.3.6 is approved.
- 2.2 That supplementary budgets of £1,458,610 be approved as detailed in paragraph 8.3.8
- 2.3 That Earmarked Reserves at 31 March 2015 be noted;
- 2.4 That the Council Tax account and collection rate be noted;
- 2.5 That the outstanding sundry debt, aged debt analysis and debt write-off figures be noted;
- 2.6 That the creditor payments performance be noted;
- 2.7 By taking into account the overall financial position of the Council, the General Fund working balance at 31 March 2015, be approved at £3,974,518;
- 2.8 That the Housing Revenue Account working balance at 31 March 2015 is approved at £7,772,403 and the Council Own Build working balance is approved at £127,994.

3. Reasons for the recommendation:

- 3.1 To formally approve the Council's end of year financial position and carry forward any budgets that were not spent but the funding is still required.

4. What are the resource implications including non financial resources.

4.1 The impact on the General Fund working balance, HRA working Balance and Council Own Build working balance are set out in sections 8.3.7, 8.2.1 and 8.2.4 respectively.

4.2 A request for supplementary budgets totalling £1,320,610 has been included.

5. Section 151 Officer comments:

5.1 The report represents the financial position as at 31 March 2015. In respect of the year, whilst there are some areas of the Council that have struggled to remain within budget, the overall position in respect of the General Fund is positive, with a large addition to the working balance. However this will be offset by the request for supplementary budgets for 2015/16. As a prudent measure funds have been set aside from earmarked reserves to repay debt.

6. What are the legal aspects?

6.1 There are no legal aspects to the report.

7. Monitoring Officer's comments:

7.1 This report raises no issues for the Monitoring Officer.

8. Report details:

8.1 Financial Summary

FUND	Planned Transfer (to) / from Working Balance	Budget Variance Over / (under)	Outturn Transfer 2014/15
	£	£	£
General Fund	165,742	(775,620)	(609,878)
HRA	1,374,550	(3,183,734)	(1,809,184)
Council own Build Houses	(22,670)	(1,812)	(24,482)

8.2 Housing Revenue Account (Appendix A)

8.2.1 The Outturn Statement shows an increase in the working balance of £1,809,184 to stand at £7,772,403. This is a significant variance from the proposed reduction to the balance of £1,374,550 at the start of the year.

Movement	2014/15
Opening HRA Balance, as at 01/04/14	£5,963,219
Surplus	£1,809,184
Balance, as at 31/3/15	£7,772,403

8.2.2 The key variances are as follows:

Management Unit	Over / (Underspend)	Detail
Revenue Contribution to Capital	(£855,855)	<ul style="list-style-type: none"> The amount of revenue monies required towards financing the HRA Capital Programme in 2014-15 has reduced from £6.2m to £5.3m. This reflects a reduction in the level of capital expenditure in this financial year compared to the original capital programme.
Repairs and Maintenance Programme	(£2,169,069)	<p>Significant savings made owing to :</p> <ul style="list-style-type: none"> Reduction in voids; Reduction in reactive repairs required; Implementation of the action plan to address issues with void properties; Procurement of better value service contracts; A number of works being delayed whilst the damp ingress work has been carried out; the damp ingress work itself, will be carried forward into 2015-16.

8.2.3 The Major Repairs Reserve is 'ring fenced' for capital works. After transfers, the balance on the Major Repairs Reserve will stand at £5,157,003 at 31 March 2015.

Movement	2014/15
Opening Major Repairs Reserve, as at 01/04/15	£3,783,727
Revenue monies set aside during 2014/15	£2,439,776
Amount used to finance capital expenditure during 2014/15	(£1,066,500)
Balance, as at 31/03/15	£5,157,003

8.2.4 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 2014-15 have resulted in a net surplus of £24,482, which will be transferred to the COB working balance.

Movement	2014/15
Opening Council Own Build, as at 01/04/14	£103,512
Surplus	£24,482
Balance, as at 31/03/15	£127,994

8.3 General Fund (Appendix B)

8.3.1 The Service Committees show an overall underspend of £1,464,648 against a revised budget of £12,472,740. The main variances are:

8.3.2 **Scrutiny Committee Community – (An underspend in total of £256,733)**

Management Unit	Over / (Underspend)	Detail
Public Safety	(72,673)	<ul style="list-style-type: none"> • University Contract loss of income • Saving on maintenance of CCTV cameras • Additional income from Home Call Alarm • Saving on Pay and Overtime budgets
Parks & Open Spaces	(288,301)	<ul style="list-style-type: none"> • Underspend on Asset Maintenance budgets • Additional income from rental properties • Saving on Pay, Equipment Tools and Materials budgets • Underspend on Motor Fuel and Plant acquisitions
Bereavement Services	(70,271)	<ul style="list-style-type: none"> • Backdated NNDR refund Higher Cemetery • Underspend on Asset and General Maintenance budgets • Income less than budget
Advisory Services	165,526	<ul style="list-style-type: none"> • Housing Benefit income has been lower than budgeted • Savings on pay budgets due to vacancies • Payments to temporary accommodation providers lower than budgeted • Expenditure on Devon Home Choice to be funded from earmarked reserve

Management Unit	Over / (Underspend)	Detail
Affordable Housing Development	(48,415)	<ul style="list-style-type: none"> • Additional income from enabling fees and the back-dated receipt of monies due to the Council in accordance with nomination agreements
Domestic Refuse Collection	140,487	<ul style="list-style-type: none"> • Overspend on Agency Staff
Public Conveniences	(54,889)	<ul style="list-style-type: none"> • Underspend on premises maintenance and utilities budgets • Saving on Superannuation and Overtime budgets • Support Services recharges in excess of budget

8.3.3 Scrutiny Committee Economy – (An underspend in total of £462,299)

Management Unit	Over / (Underspend)	Detail
Estates Services	135,870	<ul style="list-style-type: none"> • Rental income for the property portfolio is less than the budget • The expenditure on AIM lease requirements and Asset Improvement Maintenance fund less than budget • Additional expenditure on rates due to void properties at South Street • Capital Charges and Support Service recharge exceeded budget
Parking Services	(142,748)	<ul style="list-style-type: none"> • Income from car parking fees exceeded the budgeted target • Expenditure on AIM reactive repair, service and maintenance and utilities budgets less than annual budget • Additional expenditure on security patrol offset saving on rates and other maintenance budgets • Saving on pay, superannuation and overtime budgets
District Highways & Footpaths	59,547	<ul style="list-style-type: none"> • Support Service recharge from Engineers more than budgeted • Additional external income received for recharge of works

Management Unit	Over / (Underspend)	Detail
Building Control	68,264	<ul style="list-style-type: none"> • Additional legal costs incurred and provision for liability in respect of search fee refunds included • Income from Land Charges exceeded the annual budget
Planning Services	(82,471)	<ul style="list-style-type: none"> • Additional income from Planning Application Fees • Additional expenditure on legal costs due to appeals • Additional consultant fees, partly offset by transfer from reserve • Underspend on Support Service recharge in respect of Legal Services
Conservation	(83,113)	<ul style="list-style-type: none"> • AIM reactive repair budget underspent. • Support Service recharge from Engineers less than budget
Markets & Halls	(244,981)	<ul style="list-style-type: none"> • Increase in net income from lettings, livestock auctions and Corn Exchange events • AIMS, utilities and NNDR (National Non Domestic Rates) costs were less than the estimates
Museum Service	(115,538)	<ul style="list-style-type: none"> • Appeal against rateable value resulted in reduced NNDR costs. • Pay costs for the RAMM were less than estimated, offset by the cost of a redundancy • AIMS and utility costs were less than estimated • Income exceeded the estimate
Contracted Sports Facilities	165,214	<ul style="list-style-type: none"> • Expenditure on consultants and the tender exercise for the proposed new leisure complex will be funded from the New Homes Bonus. • Expenditure on works at the Isca Centre will be funded from an earmarked reserve • Additional income under the contract • Reduced expenditure on utilities

8.3.4 Scrutiny Committee Resources – (An underspend in total of £645,759)

Management Unit	Over / (Underspend)	Detail
Revenue Collection /Benefits	(384,492)	<ul style="list-style-type: none"> Recovery of overpayments has been higher than anticipated
Democratic Representation	(67,110)	<ul style="list-style-type: none"> Underspend on pay budgets Support Service Recharge in respect of Legal less than budget
Grants/Cent Supp /Consultation	(102,905)	<ul style="list-style-type: none"> Expenditure on Exeter Citizen and Software Licences less than budget Underspend on pay budgets Additional grant income
Unapportionable Overheads	109,091	<ul style="list-style-type: none"> The overspend reflects the additional cost of pension strain payments made in respect of employees retired early due to redundancy
Financial Services	(37,963)	<ul style="list-style-type: none"> Underspend on pay budgets Additional expenditure on consultants fees and software licences
Human Resources	(48,706)	<ul style="list-style-type: none"> Underspend mainly on training – request for a supplementary budget of £37,000 to complete ongoing programmes
Legal Services	(37,879)	<ul style="list-style-type: none"> Pay underspend due to vacancies Additional expenditure on consultancy fees Additional income from Legal fees
Corporate Customer Services	(166,979)	<ul style="list-style-type: none"> Underspend on Civic Centre reactive repairs, service and maintenance, equipment and utilities budgets. Saving on Postage due to change of supplier. Additional income from Civic Centre rental spaces and solar panel income above budget Pay budget overspent due to redundancy payment, transfer from earmarked reserve
IT Services	(123,964)	<ul style="list-style-type: none"> Underspend due to vacancies prior to the handover of IT Services to Strata Service Solutions

8.3.5 Other Financial Variations

Other items	Over / (Underspend)	Detail
Revenue Contribution to Capital	997,817	<ul style="list-style-type: none"> £120,000 related to New Homes Bonus backed local infrastructure schemes; The balance has been used from New Homes Bonus to pay for lower life assets.
Minimum / Voluntary Revenue Provision	2,012,572	<ul style="list-style-type: none"> The Council has voluntarily set aside £2.1m to repay debt. This will provide savings to the revenue budget in future years
Business Rates Deficit	1,215,465	<ul style="list-style-type: none"> As reported last year, there was a large deficit on the Business Rates Collection Fund after the first year, which resulted in additional income in 2013/14, to be repaid in 2014/15. The Funds to pay for this were set aside in an Earmarked Reserve last year.
Earmarked Reserves	(3,108,456)	<ul style="list-style-type: none"> The funds to pay for redundancies, the Business Rates deficit, voluntary repayment of debt and revenue contribution to capital have been partially offset by the additional New Homes Bonus, new Capital Fund and funds added back to the redundancy reserve to assist the forward financial planning of the Council.
Business Rates	(389,592)	<ul style="list-style-type: none"> Business Rates income was boosted by a pooling gain of £228,000 earned as a result of being part of the Devon Business Rates pool. This cash would have gone to Central Government if the pool did not exist and enabled £2.45m to be shared across the Devon authorities.

8.3.6 Earmarked Reserves

One new Earmarked reserves is being proposed:

Earmarked reserve	Amount	Detail
Capital Fund	700,000	<ul style="list-style-type: none">To enable the Council to finance assets with a short useful life from revenue rather than borrowing.

During 2014/15 there has been an overall net take from Earmarked Reserves of £800,076 as shown in Appendix C.

Movement	2014/15
Opening Balance, as at 01/04/14	£6,440,532
Net take	(£800,076)
Balance, as at 31/3/15	£5,640,456

8.3.7 General Fund Balance

During 2014/15 there has been an overall net contribution to the General Fund Balance of £609,878. The minimum requirement for the General Fund working balance was approved by Council in February 2015 at £2million.

Movement	2014/15
Opening Balance, as at 01/04/14	£3,364,640
Surplus	£ 609,878
Balance, as at 31/3/15	£3,974,518

8.3.8 Supplementary Budgets

There is a requirement for significant supplementary budgets in 2015/16 as 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.

In addition there are three requests for additional funding in 2015/16 and a notification of expenditure made under Financial Regulation 21 – urgency, which was reported to the Executive on 23 June 2015.

£100,000 is for a contribution towards the progression of a significant partnership based project the aim of which is to establish Exeter as a leading knowledge economy and entrepreneurial city in the UK, attracting significant investment and raising income levels for the benefit of its residents and businesses. In order to progress this important initiative it will be important to create a high level Task Group to develop a programme of activities together with private sector partners, the University, neighbouring councils, the County Council and others. The University is likely to pledge £100,000 and approaches will be made to the County Council and others, the LEP and potential private sector partners to establish the necessary funds to take this forward. Two leading private sector funding organisations are actively considering being part of this potentially transformational project.

£85,000 is requested to cover an overspend in Finance caused by budget pressures owing cover for a long term sickness and the vacant Procurement post, which is being filled by a more expensive resource.

The urgent expenditure of £8,000 was provided to the Exeter Pound to enable them to take on additional staff with matched funding and to print the notes. The £5,000 to enable the print was in the form of an interest free loan which will be repaid within one year.

It is therefore proposed that supplementary budgets totalling £1,458,610, identified in Appendix D are approved in 2015/16. Of the total above, £588,000 relates to the HRA.

8.4 COUNCIL TAX

8.4.1 As at 1 April 2014, arrears amounted to £2.897m, the movements during 2014/15 were as follows:

	£m	£m
Arrears at 1 April 2014		2.897
Add:		
2014/15 debits raised net of discounts	53.264	
Less:		
Payments received	(52.200)	
Refunds and change in pre-payments	0.533	
Write-offs	<u>(0.193)</u>	
Arrears at 31 March 2015		<u>£4.301</u>

8.4.2 Against the arrears of £4.301m, a bad and doubtful debt provision of £1,240,000 has been provided, calculated in accordance with the appropriate accounting guidelines.

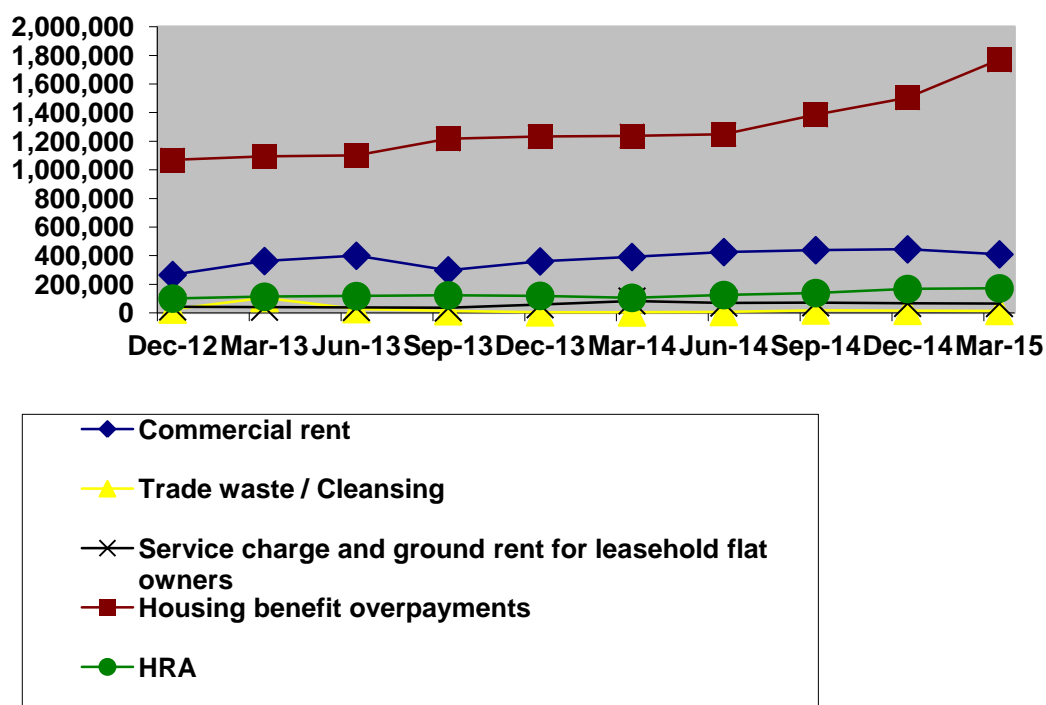
8.4.3 The 'In-Year' collection rate has decreased in comparison with the previous year. The collection rate for 2013/14 was 95.4% compared with 96.5% in 2013/14.

8.5 OUTSTANDING SUNDRY DEBT

8.5.1 An aged debt analysis of the Council's sundry debts is shown in the table below.

Age of Debt	March 2014	December 2014	March 2015
Up to 29 days (current)	£1,425,531	£1,031,168	£1,779,525
30 days – 1 Year	£1,360,144	£1,246,380	£1,467,882
1 – 2 years	£465,665	£576,037	£575,938
2 – 3 years	£219,889	£306,597	£342,542
3 – 4 years	£107,701	£178,742	£185,764
4 – 5 years	£92,602	£84,798	£72,627
5 + years	£174,446	£209,782	£213,294
Total	£3,845,978	£3,633,505	£4,637,572

8.5.2 Of the outstanding debt, the graph below sets out the main services and debt trends for debt over 30 days old:



8.6 DEBT WRITE-OFFS

8.6.1 The following amounts have been written-off during 2014/15:

	2014/15	2013/14
• Council Tax	£193,034	£83,940
• Business Rates	0	£366,058
• Sundry Debt	£85,554	£138,915
• Housing Rents	£41,609	£72,921

8.7 CREDITOR PAYMENTS PERFORMANCE

8.7.1 Creditors' payments continue to be monitored in spite of the withdrawal of statutory performance indicator BVPI8. The percentage paid within 30 days was 95.60% for 2014/15 compared with 95.69% for 2013/14.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 This is a statement of the financial position at the end of the 2013/14.

10. What risks are there and how can they be reduced?

10.1 The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Team and Members.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

11.1 Not applicable

12. Are there any other options?

12.1 Not applicable

Assistant Director Finance

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

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