

REPORT TO RESOURCES SCRUTINY COMMITTEE

Date of Meeting: 29 June 2016

REPORT TO EXECUTIVE

Date of Meeting: 12 July 2016

REPORT TO COUNCIL

Date of Meeting: 26 July 2016

Report of: Assistant Director Finance

Title: OVERVIEW OF REVENUE BUDGET 2015/16

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 2015/16 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 £198,695 from Earmarked Reserves as detailed in paragraph 8.3.6 is approved.
- 2.2 That supplementary budgets of £1,457,409 be approved as detailed in paragraph 8.3.8
- 2.3 That Earmarked Reserves at 31 March 2016 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 2016, be approved at £5,516,722;
- 2.8 That the Housing Revenue Account working balance at 31 March 2015 is approved at £7,068,670 and the Council Own Build working balance is approved at £169,004.

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 £1,457,409 has been included.

5. Section 151 Officer comments:

5.1 The report represents the financial position as at 31 March 2016. 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. The performance of the HRA is also generally positive, with a significant underspend against budget.

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 2015/16
	£	£	£
General Fund	1,360,180	(2,902,384)	(1,542,204)
HRA	2,959,182	(2,291,320)	667,862
Council own Build Houses	(37,800)	(3,249)	(41,049)

8.2 Housing Revenue Account (Appendix A)

- 8.2.1 The Outturn Statement shows a reduction in the working balance of £667,862 to stand at £7,068,670. This is a significant variance from the proposed reduction to the balance of £2,959,182 at the start of the year.

Movement	2015/16
Opening HRA Working Balance, as at 1/4/15	£7,736,532
Deficit for 2015/16	(£667,862)
Balance, as at 31/3/16	£7,068,670

- 8.2.2 The key variances are as follows:

Management Unit	Over / (Underspend)	Detail
Management Costs	(£229,180)	<ul style="list-style-type: none"> • Reflects an under-spend in respect of the introduction of mobile working in housing services • This delay has also reduced staff training costs which has resulted in a saving. • The hosting of a tenant and leaseholder conference is now planned during 2016-17. • Vacant posts have resulted in savings in employee costs.
Repairs and Maintenance Programme	(£1,950,409)	<ul style="list-style-type: none"> • As reported during the financial year, a £1m saving has occurred in respect of resolving damp ingress following lower tender prices coupled with a lower level of remedial repairs compared to original estimates. • Significant savings have also been achieved in respect of routine service and maintenance budgets

- 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 £6,310,318 at 31 March 2016.

Movement	2015/16
Opening Major Repairs Reserve, as at 1/4/15	£5,192,878
Revenue monies set aside during 2015/16	£2,550,566
Amount used to finance capital expenditure during 2015/16	(£1,433,126)
Balance, as at 31/3/16	£6,310,318

- 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 2015/16 have resulted in a net surplus of £41,049, which will be transferred to the COB working balance.

Movement	2015/16
Opening Council Own Build, as at 01/04/14	£127,995
Surplus	£41,049
Balance, as at 31/03/15	£169,044

8.3 General Fund (Appendix B)

- 8.3.1 The Service Committees show an overall underspend of £3,024,056 against a revised budget of £13,517,220. The main variances are:

8.3.2 **Scrutiny Committee People – (An underspend in total of £229,228)**

Management Unit	Over / (Underspend)	Detail
Advisory Services	(58,633)	<ul style="list-style-type: none"> Savings on pay budgets due to vacancies
Private Sector Housing	40,878	<ul style="list-style-type: none"> Lower than budgeted level of licence fee income in respect of the new Houses of Multiple Occupation licensing scheme. Door to door visits, advertising and targeted mail drops have been undertaken to encourage owners to apply.
General Fund Housing - Property	42,363	<ul style="list-style-type: none"> Reflects additional costs of reinstating Shauls Court prior to handing back the property in December 2015, in accordance with the terms of the lease. The decant of two Houses of Multiple Occupation to facilitate new management arrangements also resulted in a reduction in rental income.
Revenue Collection & Benefits	(253,836)	<ul style="list-style-type: none"> Recovery of overpayments higher than budgeted Grant income from DCC in respect of Local Welfare Support to be transferred to an earmarked reserve

8.3.3 Scrutiny Committee Place – (An underspend in total of £2,751,030)

Management Unit	Over / (Underspend)	Detail
Public Safety	(121,019)	<ul style="list-style-type: none"> • Contribution from the Housing Revenue Account towards the cost of continuing the Home Call Alarm service to residents in the Council's older persons' accommodation (£51k). • Expenditure on overtime and other pay budgets is less than the annual budget. • Equipment maintenance budgets in respect of Home Call Alarm are underspent as are the budget for support service recharges.
Parks & Green Spaces	(£225,875)	<ul style="list-style-type: none"> • A number of supplies and services budgets are underspent with expenditure on the materials (£72k), skips (£20k) and sub-contractors being significantly less than the budget. • Fleet related costs and are lower than the budget (£34k). • Rechargeable income less than budget as responsibility for works now sits within Public Realm Assets (See 81F1). • Transfer of income offset by additional income from sale of plant, equipment and vehicles and S106 contributions. • Pay Costs are less than the budget due to vacancies. • A Revenue Contribution to Capital has been made in respect of a new mower.
Street Cleaning	(£80,537)	<ul style="list-style-type: none"> • Underspend on budget for purchase of bins; a request to carry forward an element of this budget will be made. • Fleet costs were less than budget and additional income was received from sale of plant and equipment.

Management Unit	Over / (Underspend)	Detail
Economic Development	£84,381	<ul style="list-style-type: none"> Following the secondment of the Assistant Director Economy on 1 July 2015, his pay costs were charged entirely to this unit. This resulted in salary savings in the services which previously bore his costs, partially offset by honoraria paid to the acting managers. The net expenditure on the Rugby World Cup exceeded the budget by £85,610. A report to Scrutiny Committee – Economy on 22 January 2016 gave members an update on this event. The budget for Innovation Exeter was not fully spent; a supplementary budget will be requested for 2016/17
Building Control	(£108,335)	<ul style="list-style-type: none"> Income from Local Land Charges exceeded the budget, partially offset by additional pay costs (Net - £44k). Income received from CLG in respect of the ongoing personal search fee issue (£60k), this will be transferred to an earmarked reserve. Surplus on Building Control fee earning account, this will be transferred to the reserve.
Planning Services	(£100,076)	<ul style="list-style-type: none"> Income from planning applications exceeded the budget by 34% (£176k). Pay budgets underspent (£130k). Consultant fees overspent significantly (£134k), partly offset by transfer from Local Development Framework reserve. Recharge from Environmental Health for work carried out exceeded budget. Support service recharge in respect of Legal Services less than the budget.

Management Unit	Over / (Underspend)	Detail
Markets & Halls	(£100,277)	<ul style="list-style-type: none"> • Additional income was generated from Corn Exchange events and car storage and auctioneers at the Livestock Centre. However, income from car boot sales and open air markets at the Livestock Centre were less than the budgets. • Utilities, Asset Improvement and Maintenance (see 8.2 above) and National Non Domestic Rates (NNDR) budgets were underspent. • Support service recharges from the Property Management and Energy management teams were less than the estimates.
Museum Services	(£184,318)	<ul style="list-style-type: none"> • Pay was less than the estimates • Utilities and National Non Domestic Rates (NNDR) budgets were underspent. • Additional income was generated from solar panels, lettings and commission on exhibition sales
Contracted Sports Facilities	(£743,031)	<ul style="list-style-type: none"> • Expenditure on the new leisure complex was less than the budget (£521k); £145k expenditure was incurred in respect of the overall leisure complex project which cannot be capitalised, but which will be funded from the New Homes Bonus. • Income under the contract increased as a result of the sports facilities contractor acquiring charitable status. (£130k) • The impact of reduced energy costs for the current and previous years has now been agreed with the contractor, leading to a refund of amounts previously paid and a reduction in the ongoing charges. (£183k)

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

Management Unit	Over / (Underspend)	Detail
Estates Services	(£89,441)	<ul style="list-style-type: none"> • Non Domestic Rates expenditure exceeded the budget. • Income from the property portfolio was 2% less than budgeted. South Street, the Guildhall shopping centre and Cowick Street were all more than 10% below the respective annual budgets (Total - £146k). • Pay budget underspent. • Property insurance costs and capital charges are less than the annual budget. • Asset Improvement and Maintenance contingency and lease repair budgets are underspent (Total - £121k). A request to carry forward an element of the unspent lease repairs budget will be made. • Support service recharges to the management unit are less than the budget.
Corporate Property Maintenance	(£334,490)	<ul style="list-style-type: none"> • The Property Maintenance Fund budget is underspent (£324k). A request to carry forward the budget underspend will be made. • Pay budgets were underspent due to vacancies. • Support service recharges to the management unit were more than the budget.
Grants/Cent Supp/Consult ation	£130,582	<ul style="list-style-type: none"> • Pay and grants budgets overspent. • New Homes Bonus funding an element of the grants overspend. • Consultants' fees expenditure exceeded the budget. • Support service recharges to the management unit were more than the budget.

Management Unit	Over /	Detail
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	(Underspend)	
Human Resources	(£146,759)	<ul style="list-style-type: none"> • Underspend on pay budgets (£48k) • Underspend on training budgets (£68k) • Support service recharges for Civic Centre accommodation, Legal Services and Internal Audit less than the budgets
Corporate Customer Services	(£99,374)	<ul style="list-style-type: none"> • Underspend on utilities and Asset Improvement and Maintenance budgets in respect of the Civic Centre (Total - £72k). • Pay budgets underspent. • Additional rental and solar panel income received in respect of Civic Centre (Total - £35k). • Support service recharges were more than the budgets and capital charges exceeded the annual budget.

Strata Service Solutions Limited has had a relatively successful year in respect of the savings target set out in the Business Case. Against a target of £262,000, Strata has provided a refund of £230,000 (88%) to the three owners. This equates to a refund of £82,000 for Exeter.

8.3.5 Other Financial Variations

Other items	Over / (Underspend)	Detail
Revenue Contribution to Capital	1,578,642	<ul style="list-style-type: none"> • £42,000 related to identified revenue in the budget to fund two specific schemes; • The balance has been used from New Homes Bonus to pay for lower life assets and local infrastructure.
Minimum / Voluntary Revenue Provision	724,567	<ul style="list-style-type: none"> • The Council has voluntarily set aside £1.5m to repay debt. This will provide savings to the revenue budget in future years
Business Rates	(270,435)	<ul style="list-style-type: none"> • Business Rates income was boosted by a pooling gain of £220,000 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 £2.2m to be shared across the Devon authorities.

8.3.6 Earmarked Reserves

Four new Earmarked reserves are being proposed:

Earmarked reserve	Amount (£)	Detail
Local Welfare Support	141,079	<ul style="list-style-type: none"> As part of the agreement with DCC, the underspend will be ring-fenced to spend on Local Welfare Support in future years.
Pinhoe Community Hub	100,000	<ul style="list-style-type: none"> The funds will be used to support the building of a new community hub in Pinhoe to incorporate a new library and community building. It is dependent on additional funding being raised.
Events Budgets	425,000	<ul style="list-style-type: none"> As approved in the last financial year, £425,000 is set aside to cover the costs of hosting the Big Weekend and the Rugby 7s tournament for three years at Sandy Park
Riverside Dilapidations	162,000	<ul style="list-style-type: none"> Funding is being set aside to enable works to be undertaken on the Riverside Leisure Centre.

During 2015/16 there has been an overall net take from Earmarked Reserves of £198,695 as shown in Appendix C.

Movement	2015/16
Opening Balance, as at 01/04/15	£5,640,456
Net take	(£198,695)
Balance, as at 31/3/16	£5,441,761

8.3.7 General Fund Balance

During 2015/16 there has been an overall net contribution to the General Fund Balance of £1,542,204. The minimum requirement for the General Fund working balance was approved by Council in February 2016 at £3million.

Movement	2015/16
Opening Balance, as at 01/04/15	£3,974,518
Surplus	£ 1,542,204
Balance, as at 31/3/16	£5,516,722

8.3.8 Supplementary Budgets

There is a requirement for significant supplementary budgets in 2016/17 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.

It is therefore proposed that supplementary budgets totalling £1,457,409, identified in Appendix D are approved in 2016/17. Of the total above, £98,000 relates to the HRA.

8.4 COUNCIL TAX

- 8.4.1 As at 1 April 2015, arrears amounted to £4.301m, the movements during 2015/16 were as follows:

	£m	£m
Arrears at 1 April 2015		4.301
Add:		
2015/16 debits raised net of discounts	55.291	
Less:		
Payments received	(55.636)	
Refunds and change in pre-payments	0.678	
Write-offs	<u>(0.245)</u>	
Arrears at 31 March 2015		<u>£4.389</u>

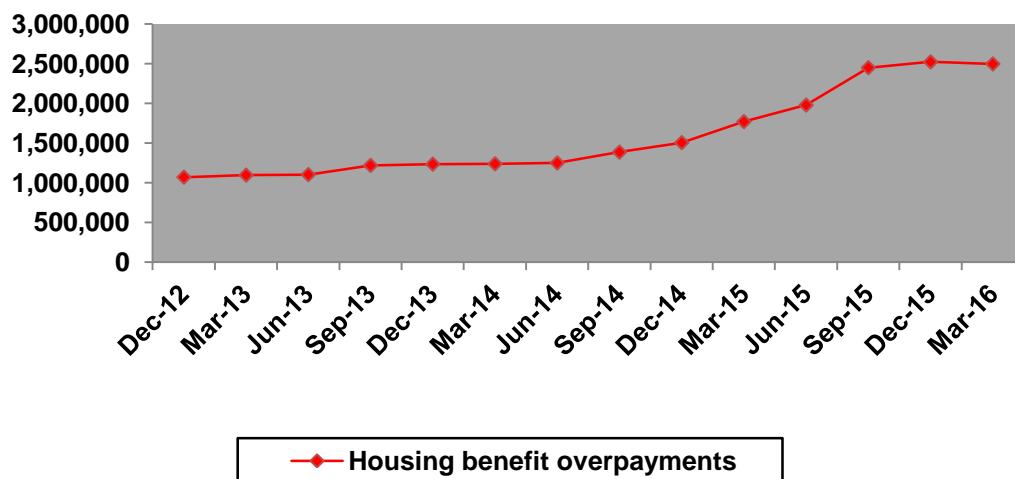
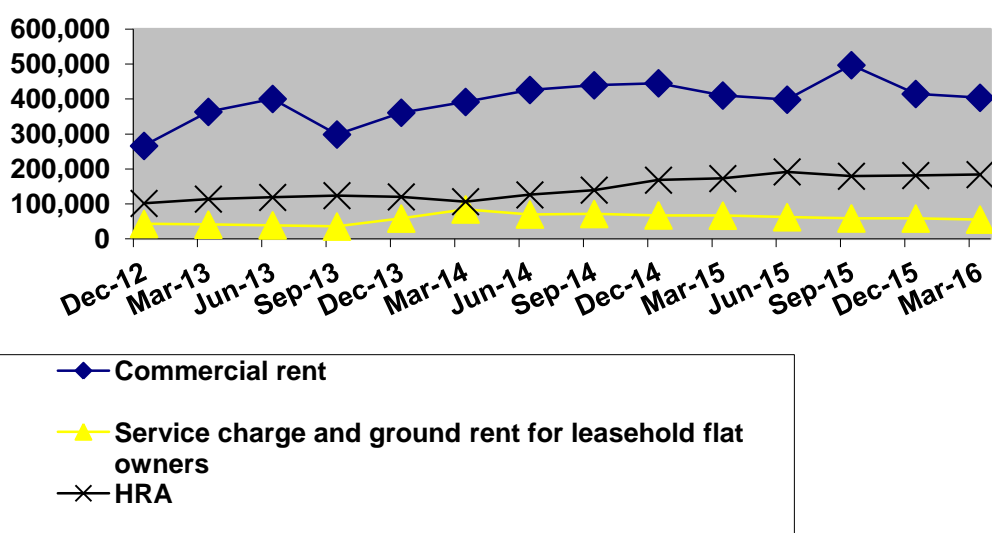
- 8.4.2 Against the arrears of £4.389m, a bad and doubtful debt provision of £1.550m has been provided, calculated in accordance with the appropriate accounting guidelines.
- 8.4.3 The 'In-Year' collection rate has decreased in comparison with the previous year. The collection rate for 2015/16 was 96.5% compared with 95.4% in 2014/15.

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 2015	December 2015	March 2016
Up to 29 days (current)	£1,779,525	£1,174,110	£1,362,755
30 days – 1 Year	£1,467,882	£1,698,373	£1,923,474
1 – 2 years	£575,938	£595,263	£730,460
2 – 3 years	£342,542	£451,063	£430,920
3 – 4 years	£185,764	£228,481	£258,353
4 – 5 years	£72,627	£141,680	£173,540
5 + years	£213,294	£221,229	£230,572
Total	£4,637,572	£4,510,199	£5,110,074

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 2015/16:

	2015/16	2014/15
• Council Tax	£244,748	£193,034
• Business Rates	£533,862	0
• Sundry Debt	£81,673	£85,554
• Housing Rents	£65,313	£41,609

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 92.84% for 2015/16 compared with 95.60% for 2014/15.

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 2015/16.

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

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

Background papers used in compiling this report:-

None

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