

REPORT TO RESOURCES SCRUTINY COMMITTEE

Date of Meeting: 22 June 2017

REPORT TO EXECUTIVE

Date of Meeting: 11 July 2017

REPORT TO COUNCIL

Date of Meeting: 25 July 2017

Report of: Chief Finance Officer

Title: OVERVIEW OF REVENUE BUDGET 2016/17

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 2016/17 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 £330,710 from Earmarked Reserves as detailed in paragraph 8.3.6 is approved.
- 2.2 That supplementary budgets of £1,450,507 be approved as detailed in paragraph 8.3.8
- 2.3 That Earmarked Reserves at 31 March 2017 be noted;
- 2.4 That the virements detailed in 8.3.9 be approved;
- 2.5 That the Council Tax account and collection rate be noted;
- 2.6 That the outstanding sundry debt, aged debt analysis and debt write-off figures be noted;
- 2.7 That the creditor payments performance be noted;
- 2.8 By taking into account the overall financial position of the Council, the General Fund working balance at 31 March 2017, be approved at £5,264,841;
- 2.9 That the Housing Revenue Account working balance at 31 March 2017 is approved at £8,567,454 and the Council Own Build working balance is approved at £208,097.

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 £1,450,507 has been included.

5. Section 151 Officer comments:

5.1 The report represents the financial position as at 31 March 2017. 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 only a small reduction in the working balance. The request for supplementary budgets for 2016/17 will still keep the General Fund Balance around the £4 million mark. 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 None identified.

7. Monitoring Officer's comments:

7.1 This report raises no issues of concern to the Monitoring Officer.

8. Report details:

8.1 Financial Summary

FUND	Planned Transfer (to) / from Working Balance	Budget Variance Over / (under)	Outturn Transfer 2016/17
	£	£	£
General Fund	2,348,776	(2,096,895)	251,881
HRA	142,125	(1,640,909)	(1,498,784)
Council own Build Houses	(38,020)	(1,034)	(39,054)

8.2 Housing Revenue Account (Appendix A)

8.2.1 The Outturn Statement shows an increase in the working balance of £1,498,784 to stand at £8,567,454. This is a significant variance from the proposed reduction to the balance of £142,125 at the start of the year.

Movement	2016/17
Opening HRA Working Balance, as at 01/04/16	£7,068,670
Surplus for 2016/17	£1,498,784
Balance, as at 31/03/17	£8,567,454

8.2.2 The key variances are as follows:

Management Unit	Over / (Underspend)	Detail
Sundry Land Maintenance	(£86,304)	<ul style="list-style-type: none"> Significant progression of tree maintenance works is pending the appointment of a Housing Tree Officer in 2017-18. For this reason, a supplementary budget will be sought to carry forward £46k of these monies into 2017-18.
Repairs and Maintenance Programme	(£843,967)	<p>This represents a combination of savings, most notably due to:</p> <ul style="list-style-type: none"> Asbestos Removal (£215k) General Maintenance (£283k) Service Contracts (£100k) Low Maintenance and Painting (£164k) <ul style="list-style-type: none"> Some slippage in the programme occurred; manufacturing delays in the windows for Weirfield House and outstanding works at Tabernacle Court. For this reason Executive approval will be sought to carry forward £60k into 2017-18.

Management Unit	Over / (Underspend)	Detail
Capital Charges	£64,822	<ul style="list-style-type: none"> • Depreciation charges are higher than budgeted due to a rise in the valuation of certain components of housing assets. Depreciation is a real cost to the HRA as it represents the amount of money which needs to be set aside in the Major Repairs Reserve to provide for the cost of future capital works or to repay debt
Housing Assets	(£221,063)	<ul style="list-style-type: none"> • Reflects an £80k saving in respect of the stock condition survey following the outcomes of a tender process. • The decant of tenants in ten LAINGS properties was not required during 2016-17. A saving is reported in 2016-17, as the cost of decanting tenants in 2017-18 has been factored into next year's budgets. • A consultancy budget was set aside for a review of operating models in respect of this service, but significant progression is pending the appointment of a new Director. For this reason Executive approval will be sought to carry forward the budget. • Vacant posts have resulted in savings in employee costs.
Rents	(£360,334)	<ul style="list-style-type: none"> • Rental income from council dwellings was higher than budgeted, but represents only a 1.6% variance. Partly attributable to a lower than anticipated number of empty properties for major works such as Rennes House and the LAINGS properties. • Reflects additional income from garages due to a reduced level of voids.
Interest	(£127,072)	<ul style="list-style-type: none"> • Reflects additional interest earned on HRA balances (Working Balance, Major Repairs Reserve and capital receipts). The revenue and capital under-spends in 2016-17 combined with retaining right-to-buy receipts rather than surrendering them back to DCLG have resulted in higher balances.

- 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 £8,719,196 at 31 March 2017.

Movement	2016/17
Opening Major Repairs Reserve, as at 1/4/15	£6,310,318
Revenue monies set aside during 2015/16	£2,721,773
Amount used to finance capital expenditure during 2015/16	(£312,895)
Balance, as at 31/3/16	£8,719,196

- 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 2016/17 have resulted in a net surplus of £41,049, which will be transferred to the COB working balance.

Movement	2016/17
Opening Council Own Build, as at 01/04/16	£169,043
Surplus	£39,054
Balance, as at 31/03/17	£208,097

8.3 General Fund (Appendix B)

- 8.3.1 The Service Committees show an overall underspend of £1,407,213 against a revised budget of £15,028,650. A change in Accounting requirements means that support service costs are no longer allocated to front line services, which accounts for the significant overspend on Corporate Services. The overall impact is neutral for the Council and has no impact on the overall £1.4 million underspend on service provision. The main variances are:

8.3.2 **Scrutiny Committee People**

Management Unit	Over / (Underspend)	Detail
Advisory Services	(47,514)	<ul style="list-style-type: none"> Savings in the amounts paid to serviced temporary accommodation providers, partially offset by increased payments to B&Bs Income from rents and housing benefits higher than anticipated
Affordable Housing Development	(178,288)	<ul style="list-style-type: none"> Work is progressing on the detailed business case for the formation of a new Development Company, but this work will continue into 2017/18. A supplementary budget will be requested in order carry forward any underspend.

Management Unit	Over / (Underspend)	Detail
Private Sector Housing	37,095	<ul style="list-style-type: none"> Redundancy costs arising from the senior management restructure to be funded from the Redundancy Reserve Additional employee costs due to a successful JE appeal Lower than anticipated level of Houses of Multiple Occupation licence fees
General Fund Housing - Property	(116,762)	<ul style="list-style-type: none"> Low turnover of Private Sector Leased and Extralet properties has resulted in both higher than budgeted rental income and savings in void repair costs. Reactive repair costs were also lower as a result of referrals back to the landlord in accordance with the lease agreements.
Revenue Collection / Benefits	284,922	<ul style="list-style-type: none"> Reduced level of invoices resulting from Real Time Information updates and the Fraud and Error Reduction Initiative Scheme Redundancy costs to be funded from the Redundancy Reserve Staff savings due to vacancies during restructure

8.3.3 Scrutiny Committee Place

Management Unit	Over / (Underspend)	Detail
Parks & Green Spaces	(93,564)	<ul style="list-style-type: none"> Underspend on pay due to vacant posts. Additional income from disposal assets (vehicle & plant sales less than £10k) and rental income from park properties.
Business & Commercial Ops	(357,437)	<ul style="list-style-type: none"> The expenditure in respect of the transfer of the Country Parks to Devon Wildlife Trust has been delayed to 2017/18. The income budgets in respect of cemeteries has not been achieved.
Assistant Directors	324,905	<ul style="list-style-type: none"> Due to redundancy costs associated with the implementation of the Senior Management Re-structure
Museum Service	71,590	<ul style="list-style-type: none"> After transfers from reserves for redundancy, legal costs, and Art Fund, the overspend is reduced to £18,000.
Contracted Sports Facilities	217,094	<ul style="list-style-type: none"> The overspend mainly relates to: £100,000 provision for the insurance excess re: the Riverside Facility fire; £100,000 increase in

		depreciation for Clifton Hill Sports Centre relating to revaluations of the building, and its remaining useful life.
Street Cleaning	187,984	<ul style="list-style-type: none"> • Overspend on pay budgets, this is partially offset by the pay underspend in Parks & Green Spaces (81A6). • The cost of Graffiti Cleaning exceeded the budget. The overspend was on pay and materials. • There was an underspend on fleet budgets.
Recycling	(39,670)	<ul style="list-style-type: none"> • The underspend is across the recycling budgetary areas, including paper and card which have exceeded their targets for 2016/17.
Public Realm Assets	(237,587)	<ul style="list-style-type: none"> • The asset maintenance budgets included in the management unit are underspent, a request to carry forward an element of the underspend has been made. • The expenditure on equipment tools and materials for Parks & Playing fields was less than the budget. • Arboricultural expenditure less than the budget, a request to carry forward the underspent budget has been made.
Car Parking	(520,602)	<ul style="list-style-type: none"> • Income from off street parking fees exceeded the target by 9.7%, this has been partially offset by additional expenditure on equipment tools and materials and equipment maintenance. • The internal recharge from Street Cleaning for car park sweeping exceeded the budget. • The budget in respect of the transactions charges for paybyphone was exceeded.
Arts & Events	66,520	<ul style="list-style-type: none"> • The overspend is mainly due to increased expenditure associated with special events.
Building Control	(58,413)	<ul style="list-style-type: none"> • The provision set aside in respect of the Land Charges property searches litigation was not fully utilised. • Income from Land Charge fees exceeded the target and there was an underspend on pay budgets. • The small surplus of the Building Control Fees earning account will be transferred to the earmarked reserve.
Planning Services	69,507	<ul style="list-style-type: none"> • Additional expenditure on legal and other costs associated with planning appeals including claim for costs award for planning appeal at Exeter Road, Topsham. • Income from planning fees exceeded the budget. • Additional S106 income to offset expenditure incurred on Local Energy Project.

8.3.4 Scrutiny Committee Corporate

Management Unit	Over / (Underspend)	Detail
Property & Estates Services	(£362,364)	<ul style="list-style-type: none"> • Additional income from property portfolio • The contingency budget in respect of the Asset Improvement and Maintenance Fund was not fully spent in year. • Underspend on Lease requirement, a request to carry forward the unspent budget will be made. • Expenditure on pay was less than the budget. • The consultant fees budget in respect of the South Street redevelopment was not spent in year, a request to carry the budget forward will be made.
Corporate Property Assets	(£909,294)	<ul style="list-style-type: none"> • The Property Maintenance Fund budget was underspent • A request to carry forward an element of this underspend has been made. • The carry forward is to fund essential priorities in accordance with the Corporate Property Maintenance Strategy that have already been committed in the 2016/17 financial year.
Elections & Electoral Registration	60,307	<ul style="list-style-type: none"> • There has been an overspend on the intrinsic elements of the Elections and Electoral Registration budgets, with the postages, stationery and printing budgets being exceeded.
Corporate	35,600	<ul style="list-style-type: none"> • The overspend is mainly due to management fees payable for investments, together with bank charges and legal fees.
Grants/Cent Supp/Consultation	£100,020	<ul style="list-style-type: none"> • Of the £100,020 overspend, £28,180 is due to be funded from New Homes Bonus grant for Ward Grants, and a carry forward request of £13,450 is made for the underspend on City Grants. The bulk of the remaining overspend is due to consultants' fees in respect of Press & Public Relations and Policy Support.

Management Unit	Over / (Underspend)	Detail
Unapportionable Overheads	£215,300	<ul style="list-style-type: none"> The overspend reflects the superannuation strain payments of £261,900 offset by a greater than anticipated underspend in previous year of £46,600.
Procurement	£77,550	<ul style="list-style-type: none"> The overspend relates to Agency staffing.

Strata Service Solutions Limited has generated an underspend in excess of £300,000 and returned £100,000 of this to the three Councils. The Strata JEC will recommend to each Council whether the additional £200,000 should be returned.

8.3.5 Other Financial Variations

Other items	Over / (Underspend)	Detail
Net interest / Investment Loss	(115,019)	<ul style="list-style-type: none"> The improvement in the interest position is partially due to the Council investing in a Property Fund which generates significantly higher returns than placing the money with banks. The investment loss relates to the final return of funds from Iceland and can be offset by interest received on previous the previous return of funds from Iceland.
Revenue Contribution to Capital	1,414,488	<ul style="list-style-type: none"> The funds set aside from New Homes Bonus to pay off debt have partially been used to pay for lower life assets and local infrastructure delivered in-year..
Minimum / Voluntary Revenue Provision	(1,362,191)	<ul style="list-style-type: none"> The Council has voluntarily set aside £1.5m to repay debt. The remainder of the proposed voluntary revenue provision has been used to fund the revenue contribution set out above.
Business Rates	325,174	<ul style="list-style-type: none"> Business Rates income was broadly in line with budget. The overspend relates to the deficit on the Collection Fund for which an earmarked reserve had been set aside to cover.

8.3.6 Earmarked Reserves

No new Earmarked reserves are being proposed for this financial year. Two reserves, which are no longer required are being recommended for return to the General Fund Balance.

During 2016/17 there has been an overall net take from Earmarked Reserves of £330,710 as shown in Appendix C.

Movement	2016/17
Opening Balance, as at 01/04/16	£5,441,761
Net take	(£330,710)
Balance, as at 31/03/17	£5,111,051

8.3.7 General Fund Balance

During 2016/17 there has been an overall net contribution from the General Fund Balance of £251,881. The minimum requirement for the General Fund working balance was approved by Council in February 2017 at £3million.

Movement	2016/17
Opening Balance, as at 01/04/16	£5,516,722
Deficit	(£ 251,881)
Balance, as at 31/03/17	£5,264,841

8.3.8 Supplementary Budgets

There is a requirement for significant supplementary budgets in 2017/18 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 £1,450,507, identified in Appendix D are approved and added to the 2017/18 budget. Of the total above, £158,000 relates to the HRA.

8.3.9 Request to Vire Budgets

As stated previously, support service costs are no longer apportioned to frontline services, however they have been in the 2017-18. It is therefore requested that these budgets are removed to ensure significant over / underspends are not shown throughout the year. There is no overall change to the Councils budget. Similarly, the budgets were completed prior to the announcement of the valuation of the Devon Pension Fund. This resulted in the budget increase being held centrally. It would be more meaningful for this to be transferred to the Services where the costs will be incurred. Again there is no overall change to the Councils budget.

A budget virement of £73,230 is also requested in respect of two posts moving from the Revenues Collection/Benefits - Business Improvement Team to the Executive Support Team to better reflect the management arrangements.

8.4 COUNCIL TAX

8.4.1 As at 1 April 2016, arrears amounted to £4.395m, the movements during 2016/17 were as follows:

	£m	£m
Arrears at 1 April 2016		4.395
Add:		
2016/17 debits raised net of discounts	58.578	
Less:		
Payments received	(59.036)	
Refunds and change in pre-payments	0.581	
Write-offs	<u>(0.342)</u>	
Arrears at 31 March 2017		<u>£4.176</u>

8.4.2 Against the arrears of £4.176m, a bad and doubtful debt provision of £1.497m has been provided, calculated in accordance with the appropriate accounting guidelines.

8.4.3 The 'In-Year' collection rate has increased in comparison with the previous year. The collection rate for 2016/17 was 96.81% compared with 96.5% in 2015/16.

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 2016	March 2017
Up to 29 days (current)	£1,362,755	£6,820,661
30 days – 1 Year	£1,923,474	£1,027,940
1 – 2 years	£730,460	£945,735
2 –3 years	£430,920	£455,532
3 – 4 years	£258,353	£327,021
4 – 5 years	£173,540	£226,393
5 + years	£230,572	£325,762
Total	£5,110,074	£10,129,044

8.5.2 The large increase relates to one invoice for a capital receipt with a value of close to £5 million. The invoice was paid on 4 April 2017.

8.6 DEBT WRITE-OFFS

8.6.1 The following amounts have been written-off during 2016/17:

	2015/16	2016/17
• Council Tax	£244,748	£341,926
• Business Rates	£533,862	£274,428
• Sundry Debt	£81,673	£44,459
• Housing Rents	£65,313	£48,478

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 93.64% for 2016/17 compared with 92.84% for 2015/16.

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 2016/17.

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

Chief Finance Officer

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

Background papers used in compiling this report:-

None

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