

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES
25 NOVEMBER 2009

EXECUTIVE
8 DECEMBER 2009

OVERVIEW OF GENERAL FUND REVENUE BUDGET 2009/10

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 2009/10 financial year.

2. REVENUE POSITION – EXECUTIVE SUMMARY

FUND	Latest Approved Budget	Stewardship Variance June 2009	Outturn Forecast 2009/10
	£	£	£
General Fund	19,912,850	(389,550)	19,523,300
HRA*	(682,100)	(2,120)	(684,220)
* Net deficit			

GENERAL FUND – Appendix A

- 2.1 The Service Committee budgets shows a forecast under spend of £367,040 (1.85%) against a revised Service Committee Net Expenditure budget of £19,812,850 and an overall under spend of £389,550 against the General Fund Expenditure including investment interest, Business Growth Incentive Grant and the provision for redundancy.
- 2.2 The pay settlement for 2009/10 has now been agreed at 1% for the majority of staff. The budgets for 2009/10 included a provision of 1.5% for the pay award and there is therefore a saving on pay budgets. This saving has been reflected within the individual Scrutiny Committees.
- 2.3 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:
- 2.3.1 **Scrutiny Committee Community – (An over spend of £46,410)**

In Museum Services expenditure there is additional expenditure on business rates for the library facility. Utility and premises maintenance costs for the RAMM are also greater than estimated. This has been partly offset by savings from vacant posts. The net overspend is estimated at £18,300.

Environmental Protection Services have an increase in cost in respect of the service for the Home Call Alarm equipment and a reduction in grant income from the Department of Health. The current overspend is anticipated to be £42,660.

There is estimated additional expenditure in respect of the use of Private Sector Leasing, bed and breakfast accommodation and Serviced Temporary accommodation. This is due mainly to an increase in PSL void properties prior to hand back and an increase in the cost of bed and breakfast over the first quarter together with an increase in the number of rooms available under Serviced Accommodation. The forecast overspend is £117,950.

These overspends have been partly offset by additional income from Licensing activities (£36,910) and net income from Recycling (£38,240); savings from a vacant post and a reduction in agency staff in Grounds Maintenance (£57,330) and some savings in other minor costs.

2.3.2 Scrutiny Committee Economy – (An over spend of £412,930)

There is a reduction in Car Park income, Building Control and Planning fees due to the general downturn in the economy resulting in a predicted shortfall of £272,450.

The overall income levels for the Archaeological Field Unit are projected to be down for the year. This is due to the increasingly competitive nature of the service market. Costs in respect of redundancy have also been incurred. The total overspend is forecast to be £296,660.

This has been offset by additional income from the Markets and Halls (£77,110), and additional rental income from Commercial properties (£58,900) mainly as a result of lease renewals.

2.3.3 Scrutiny Committee Resources – (An under spend of £826,380)

As a result of the Boundary Commission decision to further delay the recommendations in respect of the Local Government Review (LGR) pending the Court of Appeal decision, the £1 million of funding allocated for the implementation of LGR including mobile working has yet to be committed. This is estimated have a significant impact upon the revenue budget (under spend of £700,000) in 2009/10.

It is estimated at the end of the second quarter that there will be a net increase in Housing Benefits subsidy. The total is £115,810 which is 0.3% of the total Housing Benefits Subsidy (£38,248,990).

There has also been additional income in respect of revised rental at a shop attached to the Guildhall civic building and some savings from staff vacancies and maternity leave in Chief Executive Services (£41,120). This has been partly offset by redundancy costs and small variations in other service units.

3. OTHER FINANCIAL VARIATIONS

3.1 There is a net transfer from Earmarked Reserves of £807,860 including £80,200 from the Local Development Framework reserve, £200,520 from the Planning Delivery Grant reserve, £140,000 from the Leisure Contract reserve and £352,830 from the Repairs Fund in respect of AIM works carried forward from 2008/09 to be undertaken in 2009/10, £21,420 from Building Control reserve, £18,950 from Empty Homes reserve, £5,190 from the Housing Market Assessment reserve, £5,000 from Travelsmart reserve and £6,250 contribution to the Licensing reserve.

3.2 There is a reduction of £43,990 in respect of the Business Growth Incentive Grant as a result of the Government's redistribution of grant monies.

- 3.3 A provision of £500,000 was made for redundancy and currently £165,991 has been incurred under Service Committee Net Expenditure.
- 3.4 The overall net transfer from the General Fund Working Balance is estimated to be £2,188,064 at 31 March 2010 after accounting for July approved supplementary budgets of £456,220.

4. HOUSING REVENUE ACCOUNT (HRA)

During this period the total of the variances indicate that there will be a net deficit of £684,220 which will be transferred to the working balance at 31 March 2010. £682,100 was a planned reduction in the working balance to support Revenue Contributions to Capital expenditure (RCC) and £2,120 is the estimated additional deficit identified at the end of the first quarter stewardship. It is estimated that the working balance will stand at £2,174,045 at 31 March 2010.

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

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 such as room rental.

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

- 5.2 Additional information has been requested for these reports to demonstrate the outstanding invoices by different service. Unfortunately, it is not possible to recreate the reports and they have therefore been run for October 2009, rather than September 2009. The main effect of this is to significantly reduce the amount of current outstanding debt as most of the periodic (quarterly invoices) have now been paid.

- 5.3 Outstanding debt at 30 September 2008 stood at £3.468m, at 31 December 2008 it was £3.959m and at 31 March 2009 it was £4.061m. By October 2009 it was £3.001m. An aged debt analysis is shown below, which demonstrates that of the £3.001m debt, £0.7m is less than 30 days old. Debt over 30 days old has decreased over the ten months from £2.691m to £2.229m.

Age of Debt	October 2009	March 2009	December 2008
Up to 29 days (current)	708,672	1,724,055	£1,267,743
30 days – 1 Year	1,153,907	1,309,735	£1,600,756
1 – 2 years	383,548	304,504	£329,621
2 – 3 years	198,437	158,055	£221,535
3 – 4 years	158,512	220,090	£171,663
4 – 5 years	117,213	117,505	£121,193
5 + years	280,826	227,459	£246,581
Total	£3,001,115	£4,061,403	£3,959,091

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

Service	Outstanding debt – October 2009 £
▪ Commercial rent	£406,652
▪ Trade waste	£60,071
▪ Service charge and ground rent for leasehold flat owners	£48,375
▪ Home call alarms	£4,404
▪ Housing benefit overpayments*	£1,023,612
▪ Engineering	£92,522
▪ AFU	£314,172
▪ Economy & Tourism	£104,109
▪ HRA	£113,866
▪ General Fund Housing	£102,299
▪ River & Canal	£56,114

* 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 2.9% of the total annual benefits paid.

6. CREDITOR PAYMENTS PERFORMANCE

The creditors' payments in respect of the Statutory Performance Indicator BVPI8 shows that the percentage paid within 30 days was 96.2% for the first half of 2009/10 compared with 81.49% for the first half of 2008/09. Work with the software supplier, together with staff development on the new operating system has improved the overall performance. Work is continuing to increase performance further.

7. TREASURY MANAGEMENT UPDATE

7.1 Iceland investments – There has been a little additional news in respect of the £5m invested in two Icelandic banks. The solicitors working for the LGA have prepared claims for local authorities to be submitted to the Banks. Additional advice has meant that both claims are for the full amount invested, all interest due up until maturity and penalty interest due up to 22 April 2009 (at around 22% - the current penalty rate in Iceland), which has substantially increased both claims. However, as a result, Landsbanki have revised down the amount they anticipate that Councils will receive to 83p in the pound. The advice regarding Glitnir remains that, if confirmed as preferential creditors, Councils will receive 100%.

7.2

The table below compares the Council's investment and borrowing levels at 31 March 2009 and 30 September 2009.

Date	Investments £m	Borrowing £m
31 March 2009	26.091	18.000
30 September 2009	25.552	16.000
Reduction since 31 March 09	(0.539)	(2.000)

Detailed Treasury Management reports will be presented to Scrutiny Committee – Resources and the Executive Committee on a half yearly basis in November and June each year.

8. CONCLUSION

- 8.1 The forecast decrease in Service Committee net expenditure for 2009/10 totals £367,040 including the supplementary budgets of £456,220. This together with transfers from Earmarked Reserves and the reduction of £43,990 from the Business Growth Incentive Grant will result in a transfer of £2,188,064 from the Working Balance.
- 8.2 The forecast General Fund Working Balance at 31 March 2010 is £3,395,049 and equates to 20.5% of the General Fund net expenditure.
- 8.3 It is estimated that the HRA working balance will stand at £2,174,045 at 31 March 2010.
- 8.4 The current advice in respect of the Icelandic investments suggests that the Council should eventually recover all of the Glitnir money and most of the Landsbanki money.
- 8.5 The creditor's payment performance has improved significantly and is currently 96.2%.

9. RECOMMENDATION

It is recommended that:

- The General Fund forecast financial position for the 2009/10 financial year is noted.
- The HRA forecast financial position for 2009/10 financial year is noted.
- The outstanding Sundry Debt position as at October 2009 is noted.
- The recovery position of Icelandic investment is noted.
- The Statutory Performance Indicator BVPI8 for creditor's payments is noted.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

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

Background papers used in compiling the report:

None