

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES
24 MARCH 2010

EXECUTIVE
13 APRIL 2010

THIRD QUARTER 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 nine months, for the 2009/2010 financial year.

2. REVENUE POSITION – EXECUTIVE SUMMARY

FUND	Latest Approved Budget	Stewardship Variance December 2009	Outturn Forecast 2009/10
	£	£	£
General Fund	19,912,850	(1,045,140)	18,867,710
HRA*	(682,100)	(44,065)	(726,165)
* Net deficit			

GENERAL FUND – Appendix A

- 2.1 The Service Committee budgets shows a forecast under spend of £512,550 (2.6%) against a revised Service Committee Net Expenditure budget of £19,812,850 and an overall under spend of £1,045,140 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 been agreed at 1%. 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 £103,490)**

In Museums Services, there is additional expenditure in respect of business rates and utility costs for the library facilities. Premises maintenance costs are also expected to exceed the budget for the Royal Albert Memorial Museum. This has been partly offset by savings from vacant posts. The net overspend is estimated at £6,820.

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. Additionally, a one-off adjustment has been made to properly reflect income in the correct year it relates to. The current overspend is anticipated to be £70,380.

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 £262,340.

These overspends have been partly offset by additional income from Licensing activities (£49,550) and net income from trade recycling and garden waste (£53,580); savings from a vacant post and a reduction in agency staff in Grounds Maintenance (£40,920) and some savings in other minor costs.

2.3.2 Scrutiny Committee Economy – (An over spend of £97,540)

There is a reduction in Car Park income and Building Control fees due to the general downturn in the economy resulting in a predicted shortfall of £245,260.

Additional expenditure has been incurred in Economic Development on a variety of projects, as agreed by the Executive, in response to the recession. These projects will be funded from the earmarked reserve set up at the end of 2008-09. The overspend totals £80,600.

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 £281,180.

Planning fees are also expected to be lower than budgeted due to the general downturn in the economy, however these have been more than offset by staffing savings resulting in an anticipated underspend of £377,180.

Additional income from the Markets and Halls (£86,360), and additional rental income from Commercial properties (£91,390) mainly as a result of lease renewals have also offset the additional costs within the rest of the Committee.

2.3.3 Scrutiny Committee Resources – (An under spend of £713,580)

As a result of the delay in announcing the final decision in respect of the Local Government Review (LGR), 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 £768,910) 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 £172,290 which is 0.47% of the total Housing Benefits Subsidy (£36,698,150).

There has also been additional income in respect of revised rental at a shop attached to the Guildhall civic building (£28,450), some savings from staff vacancies and maternity leave in Chief Executive Services (£41,120) and savings from vacancies in Treasury Services. This has been partly offset by redundancy and early retirement costs and an increase in audit fees and bank charges.

3. OTHER FINANCIAL VARIATIONS

- 3.1 There is a net transfer from Earmarked Reserves of £183,070 including £125,000 from the LABGI funding for the recession reserve, £140,000 from the Leisure Contract reserve, £21,420 from the Building Control reserve, £18,950 from the Empty Homes reserve, £5,190 from the Housing Market Assessment reserve, £5,000 from Travelsmart reserve and £9,590 from the vehicle licensing reserve. There is a £10,000 contribution to the Licensing reserve and £132,080 contribution to the Planning Delivery Grant 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 £176,080 has been incurred under Service Committee Net Expenditure. The government have allowed us to capitalise this expenditure, which has therefore been removed from the revenue position.
- 3.4 The overall net transfer from the General Fund Working Balance is estimated to be £2,157,264 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 £726,165 which will be taken from the working balance at 31 March 2010. £682,100 relates to a planned reduction in the working balance to provide for revenue contributions to capital expenditure and £44,065 is the estimated additional deficit identified at the end of the third quarter stewardship. It is estimated that the working balance will stand at £2,132,100 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 Outstanding debt at 31 December 2008 stood at £3.959m, at 31 March 2009 it was £4.061m and by October 2009 it was £3.001m. By December 2009 it was £3.571m. An aged debt analysis is shown below, which demonstrates that of the £3.571m debt, £1.16m is less than 30 days old. Debt over 30 days old has decreased over the year from £2.691m to £2.411m.

Age of Debt	December 2009	October 2009	March 2009	December 2008
Up to 29 days (current)	£1,161,129	£708,672	£1,724,055	£1,267,743
30 days – 1 Year	£1,258,539	£1,153,907	£1,309,735	£1,600,756
1 – 2 years	£384,230	£383,548	£304,504	£329,621
2 –3 years	£226,147	£198,437	£158,055	£221,535
3 – 4 years	£155,938	£158,512	£220,090	£171,663
4 – 5 years	£97,901	£117,213	£117,505	£121,193
5 + years	£287,866	£280,826	£227,459	£246,581
Total	£3,571,750	£3,001,115	£4,061,403	£3,959,091

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

	Outstanding debt – December 2009 £
▪ Commercial rent	£555,524
▪ Trade waste	£105,187
▪ Service charge and ground rent for leasehold flat owners	£68,354
▪ Home call alarms	£7,294
▪ Housing benefit overpayments*	£1,030,317
▪ Engineering	£59,423
▪ AFU	£266,292
▪ Economy & Tourism	£31,579
▪ HRA	£61,197
▪ General Fund Housing	£142,233
▪ River & Canal	£60,222

* 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 three quarters of 2009/10 compared with 85.3% for the first three quarters 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 – The winding up boards of the two Icelandic Banks have formed differing judgements in respect of Local Authority creditors. Landsbanki have confirmed Local Authorities as priority creditors. Glitnir however have determined that Local Authorities are not priority creditors. Both decisions however are to be challenged in the Icelandic courts. If the Glitnir decision is upheld, the anticipated recoverable amount reduces from 100% to 31%. The anticipated recovery rate for Landsbanki with priority status is 88% dropping to 36% if priority status is lost.

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

Date	Investments £m	Borrowing £m
31 March 2009	26.091	18.000
31 December 2009	16.754	7.950
Reduction since 31 March 09	(9.337)	(10.050)

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 £510,960 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 £2,157,264 from the Working Balance.

8.2 The forecast General Fund Working Balance at 31 March 2010 is £3,425,849 and equates to 17.2% of the budgeted General Fund net expenditure.

8.3 It is estimated that the HRA working balance will stand at £2,132,100 at 31 March 2010.

8.4 The Icelandic banks have come to different conclusions regarding Local Authority creditors. This will now be resolved in the Icelandic courts.

8.5 The creditor's payment performance has been maintained at 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 31 December 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