

EXETER CITY COUNCIL

**SCRUTINY COMMITTEE – RESOURCES
16 JUNE 2010**

**EXECUTIVE
29 JUNE 2010**

**COUNCIL
13 JULY 2010**

OVERVIEW OF REVENUE BUDGET 2009/10

1. PURPOSE OF THE REPORT

- 1.1 To advise Members of the overall final financial performance of the HRA & General Fund Revenue Budget for the 2009/10 financial year ended 31 March 2010.

2. HOUSING REVENUE ACCOUNT (Appendix A)

- 2.1 The final accounts show an overall reduction in the HRA working balance from £2,858,265 to £2,681,729 a decrease of £176,536 as compared with the planned reduction of £682,100. This is in anticipation of changes to the HRA subsidy system and therefore to protect the current financial position.

- 2.2 There is a net underspend of £346,946 in operating expenditure which is primarily due to a reduction in the planned contribution to the Repairs Fund. This has been offset by a reduction in income from rents due to a lower than anticipated rent uplift, although this has also reduced the amount of Government Subsidy to be paid. The total Revenue Contribution to Capital in 2009/10 is £811,286.

- 2.3 The Major Repairs Allowance is 'ring fenced' for capital works and amounts to £3,272,871 together with £811,286 as a Revenue Contribution to Capital, £226,081 from external funding, £69,365 from general fund capital receipts and £142,539 of housing capital receipts. This enabled a total of £4,522,142 to be spent on central heating in 133 properties, bathroom replacements in 85 properties, re-roofing of 63 properties, programmed re-wiring in 35 properties, kitchen replacements in 142 properties and other works to meet the Government's Decent Home Standard.

3. GENERAL FUND (Appendix B)

- 3.1 During the financial year regular reports have been made on the estimated revenue outturn for each Scrutiny Committee. The final outturn has now been calculated and major differences from the approved annual budget are highlighted below.

- 3.2 A further technical adjustment has been made in respect of revenue expenditure funded by capital under statute (REFCUS) and deferred contributions. In respect of REFCUS, the government allows councils to treat some revenue expenditure as capital expenditure e.g. grants to Housing Associations, grants to improve or develop assets owned by others (science park contributions and enhancements to the city centre). This expenditure must be shown in the revenue accounts for the year but it is financed by the use of capital receipts or borrowing and therefore these charges are removed from the net cost of services to ensure that they do not impact on the Council Tax requirement.

- 3.3 Deferred contributions are government grants and external contributions received in respect of fixed assets. In order that this adjustment does not impact on the level of Council Tax it is required that the value of deferred contributions released to revenue accounts are reversed out when accounting for total service cost.
- 3.4 There has been a downwards adjustment for FRS17 of £1,175,498; this is an actuarial adjustment to reflect the cost of employing our staff in terms of pension liability and has no effect on the Council Tax.
- 3.5 If all the adjustments highlighted above for FRS17, Capital Charges, REFCUS and Deferred Contributions are taken into account, the Service Committees show an overall underspend of £1,400,407 against a revised budget of £19,812,850.
- 3.6 In addition to Service Committee net expenditure, investment interest is credited to the account 'below the line'. The net interest receipts were £87,103 below budget and this is discussed in the Treasury Management report elsewhere on the agenda. Interest rates remain historically low and this has had an effect on the returns available. During the year the investments held by our Investment Manager have been substantially reduced, which has also had an effect on returns. Provision of £87,173 has been made for the statutory repayment of debt.
- 3.7 Additional income has been received in the form of a Local Business Growth Incentive Grant (LABGI) of £56,007 and an Area Based Grant of £48,811. The LABGI grant is a Government initiative, which rewards Local Authority's economic development for increases in the rateable value of commercial properties above a floor and up to a specified maximum. The Area Based Grant was for the Youth Opportunity Task Force and Climate Change strategy.
- 3.8 The main Service Committee variations for the financial year are:
- 3.8.1 Rental income for Estates Services (including Markets and Halls) is higher than expected and other in-year savings have resulted in an underspend for £460,140.
- 3.8.2 The overall income level for the Archaeological Field Unit (AFU) was down; this was mainly due to falling demand within the construction industry with an increase in non chargeable time. Additional salary costs have been incurred as a result of the restructure that took effect from 1 April 2009. A large amount of work in progress has been written off as the amounts are no longer able to be recovered. As a result, the AFU incurred a deficit of £354,000.
- 3.8.3 Due to non completion of planned maintenance work, Asset Improvement and Maintenance underspent by £259,000. Some of this work will be undertaken in 2010/11.
- 3.8.4 Parks & Open Spaces have overspent as a result of increased depreciation charges, additional expenditure on water, water consultancy, arboricultural work and Asset Improvement and Maintenance. This has resulted in an overspend of £254,222. Of this sum, £100,520 in respect of additional depreciation charge will not impact on Council Taxpayers.
- 3.8.5 Museums have underspent their budget by £397,000 as a result of vacancy management during the closure of the Museum. Additional income has also been received and the proposed revenue contribution to the capital scheme not taken.

- 3.8.6 Housing Advisory services incurred additional costs, mainly in respect of repairs to void properties, and an associated reduction in income for the void properties.
- 3.8.7 A VAT refund has been received in respect of Leisure Services and Car Parks. This totals £410,000 (net of fees).
- 3.9 At 31 March 2009 the General Fund working balance was £5,583,113 and a deduction of £1,685,358 has been made at 31 March 2010 leaving the current balance at £3,897,755. The minimum requirement for the General Fund working balance was approved by the Executive in February 2010 at £2million.
- 3.9.1 There is a small requirement for supplementary budgets in 2010/11; these are identified in 3.10 below.
- 3.9.2 The Council is also faced with considerable financial uncertainty in the medium term particularly in respect of a significant reduction in grant as the new Government tackles the issue of reducing the national budget deficit. Whilst the current medium term financial plan has already identified the need for significant ongoing revenue savings having to be identified and achieved, any measures taken by the new Government to reduce the level of funding available to Local Government will also now need to be factored in.
- 3.10 The Council has identified at the end of the year revenue budgets that have not been spent but where a commitment is required in the following financial year. It is therefore proposed supplementary budgets totalling £152,160 and identified in Appendix C are approved in 2010/11: -
- Scrutiny Committee – Resources; £ 25,160
 - Scrutiny Committee – Economy; £ 21,610
 - Scrutiny Committee – Community; £105,390
- 3.11 Taking into account the proposed supplementary budgets above, the uncommitted General Fund working balance at 31 March 2010 is £3,745,595.
- 3.12 There has been a contribution of £88,320 from Revenue to Capital Expenditure, reflecting money received, that previously was treated as a capital receipt.
- 3.13 Earmarked Reserves totalling £202,532 have been created for specific schemes and purposes as summarised below: -
- Scrutiny Committee – Community: £20,679
 - Scrutiny Committee – Economy: £181,853
- There has also been £260,018 transferred from Earmarked Reserves as follows:-
- Scrutiny Committee – Community: £8,434
 - Scrutiny Committee – Economy: £219,265
 - Contributions to Capital : £32,319
- 3.14 During 2009/10 there has been an overall net contribution from Earmarked Reserves of £57,486 as shown in Appendix D. This differs to the budgeted withdrawal of reserves of £932,000 because the AIM Earmarked Reserve was transferred to General Reserves during 2008/09 and could not be used this year. Additionally we anticipated using a substantial amount from the Planning Delivery Grant Reserve this year, however, a higher than anticipated award from Government meant that additional funds were transferred to the Reserve instead.

3.15 The movement on Earmarked Reserves and the balance at 31 March 2010 are:

	Balance at 31March 2009 £'000	Balance at 31March 2010 £'000	Movement £'000
Earmarked Reserves	1,622	1,564	(58)

4. COUNCIL TAX

4.1 As at 1 April 2009, arrears amounted to £2.381m, the movements during 2009/10 were as follows:

	£m	£m
Arrears at 1 April 2009		2.381
Add:		
2009/10 debits raised net of discounts, benefits and transitional relief	46.729	
Less:		
Payments received	(47.320)	
Refunds and increase in pre-payments	715	
Write-offs	<u>(142)</u>	
Arrears at 31 March 2010		<u>£2.363</u>

4.2 Against the arrears of £2.363m, a bad and doubtful debt provision of £885,000 has been provided, calculated in accordance with the appropriate accounting guidelines.

4.3 The 'In-Year' collection rate has increased slightly in comparison with the previous year. The collection rate for 2009/10 was 97.6% compared with 97.4% in 2008/09.

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

In these quarterly reports, comparisons are made to inform members of progress in recouping this debt. This does not include housing rent, council tax or business rate debt.

- 5.2 Outstanding debt at 31 March 2009 was £4.061m, by 31 October it stood at £3.001m, at 31 December 2009 it was £3.571m and at 31 March 2010 it was £3.616m. An aged debt analysis is shown below, which demonstrates that of the £3.616m debt, £1.522m is less than 30 days old. Debt over 30 days old has decreased over the quarter from £2.410m to £2.095m.

Age of Debt	March 2009	October 2009	December 2009	March 2010
Up to 29 days (current)	£1,724,055	£708,672	£1,161,129	£1,521,683
30 days – 1 Year	£1,309,735	£1,153,907	£1,258,539	£963,838
1 – 2 years	£304,504	£383,548	£384,230	£400,385
2 – 3 years	£158,055	£198,437	£226,147	£225,237
3 – 4 years	£220,090	£158,512	£155,938	£110,823
4 – 5 years	£117,505	£117,213	£97,901	£122,839
5 + years	£227,459	£280,826	£287,866	£271,553
Total	£4,061,403	£3,001,115	£3,571,750	£3,616,358

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

	Outstanding debt – 31 March 2010 £
▪ Commercial rent	564,490
▪ Trade waste	130,453
▪ Service charge and ground rent for leasehold flat owners	69,820
▪ Home call alarms	7,247
▪ Housing benefit overpayments*	1,059,713
▪ Engineering	132,255
▪ AFU	296,624
▪ Economy & Tourism	123,717
▪ HRA	68,597
▪ General Fund Housing	184,959
▪ River & Canal	64,644

*These overpayments occur largely due to changes to claimants' circumstances resulting in a lower benefit entitlement once a reassessment is made. This figure represents about 2.6% of the total annual benefits paid and in the order of 90% of this amount is recovered.

6 CREDITOR PAYMENTS PERFORMANCE

- 6.1 The creditors' payments in respect of the Statutory Performance Indicator BVPI8 have improved during 2009/10 as the new financial information has been embedded within the Council. The percentage paid within 30 days was 95.89% for 2009/10 compared with 87.24% for 2008/09.

7. RECOMMENDATION

It is recommended that the report be noted and Council note and approve:

- 7.1 The net transfer of £57,486 from Earmarked Reserves as detailed in paragraph 3.13;
- 7.2 Supplementary budgets totalling £152,160 as detailed in paragraph 3.9;
- 7.3 The Earmarked Reserves at 31 March 2010;
- 7.4 The Council Tax account and collection rate;
- 7.5 The outstanding sundry debt and aged debt analysis;
- 7.6 The Creditor Payments performance;
- 7.7 Having regard to the General Fund working balance at 31 March 2010 of £3,897,755, the overall financial position of the Council as set out in paragraph 3.8 above: and
- 7.8 The Housing Revenue Account working balance at 31 March 2010 of £2,681,729.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

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

Background papers used in compiling the report:

None