

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES
24 NOVEMBER 2010

EXECUTIVE
7 DECEMBER 2010

COUNCIL
14 DECEMBER 2010

OVERVIEW OF GENERAL FUND REVENUE BUDGET 2010/11

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 2010/11 financial year.

2. REVENUE POSITION – EXECUTIVE SUMMARY

FUND	Latest Approved Budget	Stewardship Variance September 2010	Outturn Forecast 2010/11
	£	£	£
General Fund	18,030,360	(32,356)	17,998,004
HRA*	(642,570)	222,017	(420,553)
* Net deficit			

GENERAL FUND – Appendix A

- 2.1 The Service Committee budgets shows a forecast under spend of £372,890 (2.15%) against a revised Service Committee Net Expenditure budget of £17,356,360 and an overall under spend of £32,356 against the General Fund Expenditure including investment interest, Business Growth Incentive Grant, Area Based Grant, the provision for redundancy, the provision for the repayment of debt and the potential impairment loss re the Icelandic investments.
- 2.2 The budgets for 2010/11 included a provision of 0.7% for the pay award. The current position is that Local Government Employers have not offered a pay award for the current year, however as this has not been finalised, this has not yet been fully reflected.
- 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 under spend of £416,280)**

A new contract for management of the sports facilities came into force on 1st October 2010 and is expected to result in material savings in the current year and future years. The outturn forecast reflects the estimated impact for the current year on this Committee. There will be a negative impact on Resources Committee as a result of additional discounts arising on NNDR, and this has been reflected in the outturn forecasts for that Committee. Overall the projected saving for sports facilities is £470,000

Income from the sale of recyclates is expected to exceed the estimates, while the cost of freight is expected to show a saving. While the prices at which materials are currently being sold exceed those assumed for the estimates, the volatility of these prices makes it difficult to predict the outturn. Overall a saving of £148,720 is anticipated.

In General Fund Housing, there is a reduction in the amount of revenue expenditure which can be capitalised in relation to the Council Own Build sites at Sivell Place and Merlin Crescent, in accordance with capital accounting regulations and a further overspend, which will be met from earmarked reserves for expenditure relating to Empty Home Initiatives and the Housing Market Assessment. The projected overspend is £58,750, however £34,650 will be funded from earmarked reserves.

A number of overspends have occurred in General Fund Housing Advisory Services. These include higher than inflation rental payment increases and additional demand, a reduction in the number of landlords registered for Extralet reducing income, additional costs in respect of Shaul's Court and Glencoe and increased demand for housing advice. The projected overspend is £155,550.

2.3.2 Scrutiny Committee Economy – (An under spend of £265,170)

Property income is lower than expected at various properties due to a general increase in void periods and downward pressures on rent levels across the portfolio, however this has been offset by savings on employment costs resulting in a saving of £28,490.

Income from off street car park fees is above the budgeted income figure as at 30 September 2010 and there have been savings on employment costs. Additional income is expected in respect of rental of car park spaces; this additional income will be partially offset by income from Car Park Investment properties being less than budgeted. The projected saving is £103,420.

It is anticipated that planning fee income will be below budgeted levels by the end of the year; this will be partially offset by additional income from legal costs.

A significant part of the planning expenditure is funded by Planning Delivery Grant. No grant will be received in 2010/11. However the expenditure in this financial year will be funded from the earmarked reserve at the year end. The projected over spend is £58,230.

Income across Markets & Halls is anticipated to be higher than budgeted.

2.3.3 Scrutiny Committee Resources – (An over spend of £308,560)

It is estimated that there will be a reduction in Housing Benefits subsidy mainly in respect of Rent Allowances. This is as a result of an increase in Bed and Breakfast expenditure and an increase in non-self-contained licences, which both attract less subsidy. The deficit is projected to be £223,580.

Expenditure has been incurred on the Local Government Review related to the Judicial Review and subsequent work to identify a date for the required elections. The projected overspend is £77,990.

3. OTHER FINANCIAL VARIATIONS

- 3.1 There is a net transfer from Earmarked Reserves of £555,490, an increase of £67,970 from budget.
- 3.2 There is a reduction of £50,000 in respect of the Business Growth Incentive Grant as a result of the Government's decision to stop this funding stream. However, the Council will receive £58,368 in Area Based Grant, which has not been budgeted for.
- 3.3 A provision of £500,000 has been made for redundancy, although it is anticipated that this will be capitalised as last year. The provision for the repayment of debt is now estimated to be £378,902. No investment income is anticipated this year as borrowing costs are anticipated to be close to the amount of investment income received.
- 3.4 The current forecast for the impairment loss in Iceland is £694,000 out of the £5 million invested. However, the court cases are ongoing and this will very likely change by the end of the year. The Council has also applied to capitalise any costs incurred.
- 3.5 The overall net transfer from the General Fund Working Balance is estimated to be £622,005 at 31 March 2011 after accounting for the approved supplementary budgets of £152,160.

4. HOUSING REVENUE ACCOUNT (HRA) – Appendix B

During this period the total of the budget variances indicate that there will be a net deficit of £420,553 which will need to be funded from the HRA working balance at 31 March 2011. However, this represents a reduction of £222,017 compared to the budgeted reduction to the working balance of £642,570. It is estimated that the working balance will stand at £2,261,176 at 31 March 2011.

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 2009 was £3.572m, at 31 March 2010 it was £3.616m, by 30 June 2010 it was £3.273m and at 30 September 2010 it had dropped to £3.126m. An aged debt analysis is shown below, which demonstrates that of the £3.126m debt, £0.940m is less than 30 days old. Debt over 30 days old has decreased over the quarter from £2.204m to £2.186m.

Age of Debt	December 2009	March 2010	June 2010	September 2010
Up to 29 days (current)	£1,161,129	£1,521,683	£1,068,689	£939,888
30 days – 1 Year	£1,258,539	£963,838	£1,076,971	£995,544
1 – 2 years	£384,230	£400,385	£416,336	£406,598
2 – 3 years	£226,147	£225,237	£228,996	£235,441
3 – 4 years	£155,938	£110,823	£108,025	£141,627
4 – 5 years	£97,901	£122,839	£112,007	£120,569
5 + years	£287,866	£271,553	£261,603	£286,438
Total	£3,571,750	£3,616,358	£3,272,627	£3,126,105

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

	Outstanding debt – 30 September 2010 £
▪ Commercial rent	66,887
▪ Trade waste	50,776
▪ Service charge and ground rent for leasehold flat owners	49,451
▪ Home call alarms	5,660
▪ Housing benefit overpayments*	1,089,017
▪ AFU	263,036
▪ Economy & Tourism	170,473
▪ HRA	102,846
▪ General Fund Housing	145,104
▪ River & Canal	49,469

* 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 and over 90% of this amount is recovered.

6. CREDITOR PAYMENTS PERFORMANCE

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. During the second three months of 2010/11, the percentage paid within 30 days was 93.3%, slightly up on the first quarter.

7. CONCLUSION

- 7.1 The forecast decrease in Service Committee net expenditure for 2010/11 totals £372,890 including the supplementary budgets of £152,160. This together with transfers from Earmarked Reserves, provisions for the repayment of debt and the investment impairment, Area Based Grant and the reduction of £50,000 from the Business Growth Incentive Grant will result in a transfer of £622,005 from the Working Balance.
- 7.2 The forecast General Fund Working Balance at 31 March 2011 is £3,222,806 and equates to 17.9% of the General Fund net expenditure.
- 7.3 It is estimated that the HRA working balance will stand at £2,261,176 at 31 March 2011.
- 7.4 The creditor's payment performance has improved slightly and is currently 93.3%.

8. RECOMMENDATION

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

- The General Fund forecast financial position for the 2010/11 financial year
- The HRA forecast financial position for 2010/11 financial year
- The outstanding Sundry Debt position as at June 2010
- The Statutory Performance Indicator BVPI8 for creditor's payments

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

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

Background papers used in compiling the report:

None