

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES
23 MARCH 2011

EXECUTIVE
5 APRIL 2011

COUNCIL
12 APRIL 2011

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 nine months, for the 2010/11 financial year.

2. REVENUE POSITION – EXECUTIVE SUMMARY

FUND	Latest Approved Budget	Stewardship Variance December 2010	Outturn Forecast 2010/11
	£	£	£
General Fund	18,030,360	(1,312,516)	16,717,844
HRA*	(642,570)	1,408,307	765,737
* surplus / (deficit)			

2.1 GENERAL FUND – Appendix A

The Service Committee budgets show a forecast under spend of £1,059,050 (6.10%) against a revised Service Committee Net Expenditure budget of £17,356,360 and an overall under spend of £1,312,516 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. This compares to a forecast underspend of £372,890 (2.15%) at September 2010. The main reason for the change has been the Government allowing the Council to capitalise the impairment loss on the Icelandic investments which has removed £694,000 of forecast expenditure.

- 2.2 The budgets for 2010/11 included a provision of 0.7% for the pay award. No pay award has been offered for the year.
- 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 £648,840)**

A new contract for management of the sports facilities came into force on 1 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 £428,910.

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 £288,880 is anticipated.

Savings have been made owing to delays in the Museum project, staff vacancies and removal of the revenue contribution to capital for the project. Overall, a saving of £140,420 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 £74,090, however £51,490 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 £205,550.

2.3.2 Scrutiny Committee Economy – (An under spend of £478,590)

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 £33,830.

Income from off street car park fees is above the budgeted income figure as at 30 December 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 £41,240.

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.

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

2.3.3 Scrutiny Committee Resources – (An over spend of £68,380)

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 £91,110 representing 0.2% of total subsidy.

A revised scale of fees for external audit work to be carried out during the year will result in an increase in costs and there has been an increase in volume and cost of the central bank charges. This results in an overspend within Corporate of £89,380.

An increase in pension payments to meet the costs of early retirements has resulted in an overspend of £131,390. The additional costs have been offset by staffing savings within Support Services.

3. OTHER FINANCIAL VARIATIONS

- 3.1 There is a net transfer from Earmarked Reserves of £529,820, an increase of £42,300 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 was made for redundancy. Approval to capitalise £380,000 of redundancy costs has been received by the Council and it is anticipated that this will be sufficient to meet the costs of redundancy incurred in the year. The provision for the repayment of debt will be £378,902. Additional borrowing needs and low interest received on investments mean that the Council is likely to pay £100,000 more in interest than it receives.
- 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. Approval to capitalise £2,508,800 has been received by the Council.
- 3.5 The overall net transfer to the General Fund Working Balance is estimated to be £632,485 at 31 March 2011 after accounting for the approved supplementary budgets of £152,160.

4. HOUSING REVENUE ACCOUNT (HRA) – Appendix B

- 4.1 During this period the total budget variances indicate that there will be a net surplus of £765,737 which will be transferred to the HRA working balance at 31 March 2011. This represents a reduction of £1,408,307 compared to the budgeted reduction to the working balance of £642,570. It is estimated that the working balance will stand at £3,447,466 at 31 March 2011. The reduction is mainly due to lower expenditure on repairs and maintenance and a lower contribution towards capital expenditure.
- 4.2 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, at 30 September 2010 it was £3.126m and by 31 December 2010, it had increased to £3,567,259. An aged debt analysis is shown below, which demonstrates that of the £3.567m debt, £1.306m is less than 30 days old. Debt over 30 days old has increased over the quarter from £2.186m to £2.262m.

Age of Debt	December 2009	March 2010	September 2010	December 2010
Up to 29 days (current)	£1,161,129	£1,521,683	£939,888	£1,305,734
30 days – 1 Year	£1,258,539	£963,838	£995,544	£1,112,679
1 – 2 years	£384,230	£400,385	£406,598	£340,405
2 – 3 years	£226,147	£225,237	£235,441	£270,532
3 – 4 years	£155,938	£110,823	£141,627	£160,411
4 – 5 years	£97,901	£122,839	£120,569	£76,055
5 + years	£287,866	£271,553	£286,438	£301,442
Total	£3,571,750	£3,616,358	£3,126,105	£3,567,259

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

	Outstanding debt – 31 December 2010 £
▪ Commercial rent	591,016
▪ Cleansing	122,218
▪ Service charge and ground rent for leasehold flat owners	60,254
▪ Home call alarms	9,449
▪ Housing benefit overpayments*	1,044,717
▪ AFU	341,331
▪ Economy & Tourism	156,023
▪ HRA	82,811
▪ General Fund Housing	110,459
▪ River & Canal	50,551
▪ Markets & Halls	41,800

* 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

- 6.1 During the third quarter of 2010/11, the percentage paid within 30 days was 93.74%, slightly up on the second quarter figure of 93.30%.

7. CONCLUSION

- 7.1 The forecast decrease in Service Committee net expenditure for 2010/11 totals £1,059,050 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 £632,485 to the Working Balance.

- 7.2 The forecast General Fund Working Balance at 31 March 2011 is £4,477,296 and equates to 24.8% of the General Fund net expenditure.
- 7.3 It is estimated that the HRA working balance will stand at £3,447,466 at 31 March 2011.
- 7.4 The creditor's payment performance has improved slightly and is currently 93.74%.

8. RECOMMENDATION

- 8.1 It is recommended that Scrutiny Resources Committee note the report and Council notes and approves:
- The General Fund forecast financial position for the 2010/11 financial year
 - The HRA forecast financial position for the 2010/11 financial year
 - The outstanding Sundry Debt position as at 31 December 2010
 - The Statutory Performance Indicator BVPI8 for creditors' 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