

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – RESOURCES 22 JUNE 2011

EXECUTIVE
5 JULY 2011

COUNCIL
19 JULY 2011

OVERVIEW OF REVENUE BUDGET 2010/11

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 2010/11 financial year ended 31 March 2011.

2. HOUSING REVENUE ACCOUNT (Appendix A)

- 2.1 The final accounts show an overall increase in the HRA working balance from £2,681,729 to £3,917,868 an increase of £1,236,139 as compared with the planned reduction of £642,570.
- 2.2 There is a net underspend of £1,714,508 in operating expenditure which is primarily due to a reduction in the planned contribution to the Repairs Fund. There has also been additional income from rents and a reduction the amount of Government Subsidy to be paid. The total Revenue Contribution to Capital in 2010/11 is £500,000.
- 2.3 The Major Repairs Allowance is 'ring fenced' for capital works and amounts to £3,342,883 together with £500,000 as a Revenue Contribution to Capital, £175,916 from external funding and £331,539 of housing capital receipts. This enabled a total of £4,350,338 to be spent on 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 This is the first year that the accounts have been prepared using International Financial Reporting Standards. Many of the changes required have been covered by statutory overrides from Central Government meaning that they do not impact on the Council Tax. As this is the case they have not been reported in the management accounts presented.
- 3.3 During December, the Government issued a capitalisation directive to the Council allowing us to capitalise (and not charge to revenue immediately) £380,000 of redundancy costs. This was not enough to cover all redundancy costs that the Council incurred and therefore as many redundancies as possible have been charged against this. However this means that the remaining redundancies have not been spread evenly over services and some services have been charged with their redundancy costs, whilst others have not. This has resulted in an overspend on some services, but has allowed the Council to maximise the use of the capitalisation directive.

- 3.4 There has been an upwards adjustment for IAS19 (formerly FRS17) of £496,809; 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 IAS19 and Capital Charges are taken into account, the Service Committees show an overall underspend of £1,083,199 against a revised budget of £17,356,360. Additionally, there is a deficit on the trading accounts of £81,865 relating to the closure of the Council's Buildings and Electrical Team. As such this is a one-off deficit.
- 3.6 In addition to Service Committee net expenditure, interest receivable and payable is credited to the account 'below the line'. The net interest paid was £181,540 more than the 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 returned in order to reduce the amount of borrowing required by the Council. Provision of £378,902 has been made for the statutory repayment of debt.
- 3.7 Additional income has been received in the form of Area Based Grant of £60,268. The LABGI grant, which rewarded Local Authority's economic development for increases in the rateable value of commercial properties above a floor and up to a specified maximum, has been scrapped. The Area Based Grant was for the Youth Opportunity Task Force and Climate Change strategy and no longer exists from 2011-12.
- 3.8 The main Service Committee variations for the financial year are:
- 3.8.1 The actuarial calculation in respect of IAS19 has been substantially amended since the budgets were set. This has resulted in a £1.358 million variance against the service committee budgets, causing a notional overspend against the budget. This has been reversed out below the line and has no impact on the overall General Fund balance.
- Economy & Development**
- 3.8.2 Rental income for Estates Services is lower than expected and a charge of £35,000 has been made to cover the trading loss at Exeter Business Centre, however savings on employment costs and other in-year savings have resulted in an overall underspend of £93,688.
- 3.8.3 The overall income level for the Archaeological Field Unit (AFU) was down; This is due to the increasingly competitive nature of the service market and the reduced volume of activity. Additionally, redundancy costs relating to the closure of the service have been accrued within the figures. As a result, the AFU incurred a deficit of £222,924. Markets & Halls have earned substantially higher income than budgeted causing an underspend of £248,716.

Community & Environment

- 3.8.4 The new contract for management of the sports facilities came into force on 1st October 2010 which has resulted in material savings, which will continue into future years. There will however be a small negative impact on Resources Committee as a result of additional discounts arising on NNDR. The saving for the year was £434,853.
- 3.8.5 Museums have underspent their budget by £110,140 as a result of additional income, the delay in construction resulting in no payment of Business Rates being required and the proposed revenue contribution to the capital scheme not being taken.
- 3.8.6 Increased income from the sale of materials and a reduction in expenditure on freight, following active steps to reduce these costs caused a surplus of £346,620 on the Recycling budget.
- 3.8.7 Housing Advisory services incurred additional costs, in respect of serviced temporary accommodation due to a higher than inflationary increase in rental payments, backdated rental payments and the cost of procuring additional rooms to meet increasing demand. Additional costs have in respect of Shaul's Court and Glencoe along with reduced income from the ExtraLet scheme have caused an overall overspend of £255,922.

Resources

- 3.8.8 Vacancy management within support services along with other reductions have caused an underspend in support services, which have been reflected in front line service budgets.
- 3.8.9 During 2010/11, benefits of £44.5m have been paid and subsidy of £42.8m has been received. This resulted in an overall budget variance of £532k which represents 1.19% of the gross benefit expenditure. However homelessness payments above the rental subsidy cap has accounted for some £160k of this deficit.
- 3.9 At 31 March 2010 the General Fund working balance was £3,844,811 and a surplus of £348,086 has been made at 31 March 2011 leaving the current balance at £4,192,997. The minimum requirement for the General Fund working balance was approved by the Executive in February 2011 at £2 million.
- 3.9.1 There is a small requirement for supplementary budgets in 2011/12; these are identified in 3.10 below.
- 3.9.2 The Council is also faced with considerable financial challenges in the medium term particularly in respect of the significant reduction in grant as the new Government tackles the issue of reducing the national budget deficit.
- 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 £147,170 and identified in Appendix C are approved in 2011/12: -
- Scrutiny Committee – Resources; £ 3,000
 - Scrutiny Committee – Economy; £107,170
 - Scrutiny Committee – Community; £ 37,000
- 3.11 Taking into account the proposed supplementary budgets above, the uncommitted General Fund working balance at 31 March 2011 is £4,045,827.

- 3.12 There has been a contribution of £70,573 from Revenue to Capital Expenditure, reflecting money received, that previously was treated as a capital receipt and the capitalisation of an asset that was charged to revenue.
- 3.13 Four new earmarked reserves are being proposed:-
- 3.13.1 Group Leaders have discussed the benefits of subjecting the Council's new organisational structure to a systematic review of procedures and practices to ensure that the new organisation is streamlined and customer focussed. The aim of the exercise is to simplify processes so that resources can be released to improve front-line services. In the next cycle of meetings the Executive will consider how this can best be achieved so it is appropriate to create an earmarked reserve for the resourcing of this work. It is proposed to set aside a sum of £175,000 for this purpose.
- 3.13.2 A grant was received in the financial year which is intended to offset the income shortfall caused by not being able to charge for Personal Searches. It is proposed that this grant be transferred to an earmarked reserve to cover any potential claims for a refund.
- 3.13.3 The Devon Home Choice Partnership has made a surplus, which it is proposed will be transferred to an earmarked reserve to enable the partners to determine how to use the funds in future years.
- 3.13.4 When the budget for 2011/12 was set the grant for Homelessness was estimated in line with the previous year at £351,000. The actual grant received was £505,000. This grant is not ringfenced and the budget was not increased to reflect the additional funding. Whilst savings have been made a report to the Leader and Portfolio Holder has requested an additional £44,000 be set aside to fund support for Homelessness. It is proposed that an earmarked reserve be set aside for this purpose.
- 3.14 Additions to Earmarked Reserves totalling £354,000 have been made for specific schemes and purposes as summarised below: -

- Scrutiny Committee – Community: £98,345
- Scrutiny Committee – Resources: £175,000
- Scrutiny Committee – Economy: £ 80,655

There has also been £763,949 transferred from Earmarked Reserves as follows:-

- Scrutiny Committee – Community: £194,017
- Scrutiny Committee – Economy: £408,387
- Reserves no longer required : £113,222
- Contributions to Capital : £ 48,323

- 3.15 During 2010/11 there has been an overall net contribution from Earmarked Reserves of £409,949 as shown in Appendix D. This differs to the budgeted withdrawal of reserves of £487,520 because a number of reserves that had previously been set up and substantially used have had the balances taken back into General Reserves, as the commitment for which they were set aside has been completed and some additional reserves are proposed to be set up.

3.16 The movement on Earmarked Reserves and the balance at 31 March 2011 are:

	Balance at 31March 2010 £'000	Balance at 31March 2011 £'000	Movement £'000
Earmarked Reserves	1,574	1,164	(410)

4. COUNCIL TAX

4.1 As at 1 April 2010, arrears amounted to £2.363m, the movements during 2010/11 were as follows:

	£m	£m
Arrears at 1 April 2010		2.363
Add:		
2010/11 debits raised net of discounts, benefits and transitional relief	47.706	
Less:		
Payments received	(48.190)	
Refunds and change in pre-payments	616	
Write-offs	<u>(135)</u>	
Arrears at 31 March 2011		<u>£2.360</u>

4.2 Against the arrears of £2.360m, a bad and doubtful debt provision of £825,000 has been provided, calculated in accordance with the appropriate accounting guidelines.

4.3 The 'In-Year' collection rate has decreased slightly in comparison with the previous year. The collection rate for 2010/11 was 97.5% compared with 97.6% in 2009/10.

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 2010 was £3.616m, by 30 September it stood at £3.126m, at 31 December 2010 it was £3.567m and at 31 March 2011 it was £3.704m. An aged debt analysis is shown below, which demonstrates that of the £3.704m debt, £1.706m is less than 30 days old. Debt over 30 days old has decreased over the quarter from £2.262m to £1.998m.

Age of Debt	March 2010	September 2010	December 2010	March 2011
Up to 29 days (current)	£1,521,683	£939,888	£1,305,734	£1,706,488
30 days – 1 Year	£963,838	£995,544	£1,112,679	£ 931,746
1 – 2 years	£400,385	£406,598	£340,405	£ 389,184
2 –3 years	£225,237	£235,441	£270,532	£ 235,297
3 – 4 years	£110,823	£141,627	£160,411	£ 154,931
4 – 5 years	£122,839	£120,569	£76,055	£ 57,900
5 + years	£271,553	£286,438	£301,442	£ 228,676
Total	£3,616,358	£3,126,105	£3,567,259	£3,704,222

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

	Outstanding debt – 31 March 2011 £
▪ Commercial rent	579,737
▪ Trade waste	119,153
▪ Service charge, ground rent and major works for leasehold flat owners	86,718
▪ Home call alarms	7,664
▪ Housing benefit overpayments*	1,081,730
▪ Engineering	44,929
▪ Markets & Halls	53,945
▪ AFU	311,193
▪ Economy & Tourism	55,411
▪ HRA	75,708
▪ General Fund Housing	146,786
▪ River & Canal	49,755

*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 Creditors' payments continue to be monitored in spite of the withdrawal of Statutory Performance Indicator BVPI8. The percentage paid within 30 days was 94.35% for 2010/11 compared with 95.89% for 2009/10. Yearly performance was 2.14% below the target of 96.5%. However, performance in the last quarter of the year showed a significant improvement at 96.21% and currently stands at over 98%.

7. RECOMMENDATION

It is recommended that Scrutiny Resources Committee note the report and Council notes and approves:

- 7.1 That the net transfer of £409,949 from Earmarked Reserves as detailed in paragraph 3.14 is approved.
- 7.2 That Supplementary budgets totalling £147,170 are approved as detailed in paragraph 3.10
- 7.3 That Earmarked Reserves at 31 March 2011 be noted;
- 7.4 That the Council Tax account and collection rate be noted;
- 7.5 That the outstanding sundry debt and aged debt analysis be noted;
- 7.6 That the creditor payments performance be noted;
- 7.7 By taking into account the overall financial position of the Council as set out in paragraph 3.9 above, the General Fund working balance at 31 March 2011, be approved at £4,192,897;
- 7.8 That the Housing Revenue Account working balance at 31 March 2011 is approved at £3,917,868.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

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

Background papers used in compiling the report:

None