

EXETER CITY COUNCIL

**SCRUTINY COMMITTEE – RESOURCES
19 JUNE 2013**

**EXECUTIVE
1 JULY 2013**

**COUNCIL
16 JULY 2013**

OVERVIEW OF REVENUE BUDGET 2012/13

1. PURPOSE OF THE REPORT

- 1.1 To advise Members of the overall financial position of the HRA & General Fund Revenue Budgets for the 2012/13 financial year.

2. HOUSING REVENUE ACCOUNT (Appendix A)

- 2.1 The final accounts show an overall increase in the HRA working balance from £5,764,423 to £6,290,297, an increase of £525,874 as compared with the planned increase of £2,320,270.
- 2.2 The reduction against budget is predominantly due to additional revenue contributions towards capital expenditure of £2.084 million in respect of both the acquisition of 6 flats at the former Royal Navy Store site and an increase to the kitchen and bathroom replacement programmes, This increase was approved by the Executive during the financial year.
- 2.3 The Major Repairs Reserve is 'ring fenced' for capital works. After transfers into the reserve (monies set aside from revenue) and transfers out of the reserve (financing capital expenditure) in respect of the 2012-13 accounts, the balance on the Major Repairs Reserve will stand at £2,269,806 at 31 March 2013.
- 2.4 The Council's new properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing. The total budget variances for 2012-13 have resulted in a net surplus of £45,292, which will be transferred to the COB working balance. This represents an increase of £27,722 compared to the budgeted transfer to the working balance of £17,570. After adding the surplus for 2012-13, the COB working balance will stand at £73,498 at 31 March 2013.

3. GENERAL FUND (Appendix B)

- 3.1 Regular reports have been made each quarter 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 During the year, redundancy costs of £445,736 have been charged to the General Fund. An earmarked reserve of £400,000 was set aside last year and has been able to cover most of these costs.
- 3.3 Whilst the senior management restructure was originally included in the budget as one line, the savings made have been included within each of the service committees and not against that line in the budget

3.4 The Service Committees show an overall underspend of £353,970 against a revised budget of £13,718,210 (see section 3.8 for further details).

Borrowing and Investments

3.5 In addition to Service Committee net expenditure, interest receivable and payable is credited to the General Fund. The net interest paid was £114,395 less 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 a positive impact on borrowing rates.

3.6 An investment gain has been recorded of £29,924 as a result of movements in foreign exchange rates on investments held in Iceland. A further investment gain has been made of £62,326 as higher than expected recoveries were made during the year from Landsbanki. As the original loss was capitalised, the gain has been written back against capital, which will reduce future repayments of debt. In 2012/13, a provision of £1,107,164 has been made for the total statutory repayment of debt.

3.7 Additional income has been received in the form of the New Homes Bonus of £1,322,665. The balance of funds, not spent on projects during the year, has been placed in an earmarked reserve.

3.8 The main Service Committee variations for the financial year are:

General

3.8.1 There has been a substantial underspend in respect of support services, which has been recharged across all services (£733,179).

Economy & Development

3.8.2 Income from Car Park fees was exceeded the budget by £197,000 and contributed to an overall saving of £220,544 against the budget.

3.8.3 Additional Planning Fee income has contributed to an underspend of £72,090. Both Estates and Markets & Halls have earned higher income than budgeted contributing to respective underspends of £256,220 and £56,020. In total the Committee has underspent by £773,611.

Community & Environment

3.8.4 Museums have overspent by £44,229, which has been contributed to by a larger than anticipated Business Rates bill against which the Council is appealing and increased costs of utilities.

3.8.5 Parks & Open Spaces overspent by £83,270, due to increased arboricultural work and increased costs of dealing with illegal campers.

3.8.6 General Fund Housing has overspent. Housing Advisory services overspent by £129,112, which has been partially offset by underspends of £6,358 and £50,190 on Housing Development and Private Sector Housing respectively.

3.8.7 Overall the Committee has overspent by £205,482.

Resources

- 3.8.8 There has been an increase in the level of benefits paid, for which subsidy is not received, causing an overspend of £135,221, which has been more than offset by an increase in Housing Benefit overpayments recovery and by savings in Treasury Administration, which have left the service £316,432 under budget.
- 3.8.9 A revised scale of Audit fees has resulted in savings this year, which along with a reallocation of costs has contributed to an underspend of £149,781.
- 3.8.10 Overall the Committee has underspent by £234,917.

Revenue Contribution to Capital

- 3.9 There has been a contribution of £282,194 from Revenue to fund Capital Expenditure, reflecting both money received, that previously was treated as a capital receipt and funds used from the New Homes Bonus to finance capital schemes.

Earmarked Reserves

- 3.10 Four new earmarked reserves are being proposed:-
- 3.10.1 The award of £100,000 to the RAMM for winning Museum of the Year has been transferred to an earmarked reserve to be spent on a commission for the Museum and to attract additional funding towards future major temporary exhibitions (£100,000).
- 3.10.2 Funds have been set aside to cover any potential costs incurred in respect of the compensation claim for the RAMM. If the claim is successful the costs will be recovered (£500,000).
- 3.10.3 An earmarked reserve is to be created to cover potential further costs in respect of the Exe Harbour Review (£5,000).
- 3.10.4 Exeter Business against Crime has a small surplus, which has been transferred to an earmarked reserve for re-investment in the service in future years (£9,964.45)
- 3.11 Additions to Earmarked Reserves totalling £2,037,657 have been made for specific schemes and purposes as summarised below: -
- Scrutiny Committee – Community: £ 617,213
 - Scrutiny Committee – Economy: £ 97,779
 - Council £1,322,665

There has also been £909,309 transferred from Earmarked Reserves as follows:-

- Scrutiny Committee – Community: £200,110
- Scrutiny Committee – Economy: £204,397
- Scrutiny Committee – Resources: £275,928
- Revenue Contributions to capital: £228,874

3.12 During 2012/13 there has been an overall net contribution to Earmarked Reserves of £1,128,348 as shown in Appendix C.

3.13 The movement on Earmarked Reserves and the balance at 31 March 2013 are:

	Balance at 31 March 2012 £'000	Balance at 31 March 2013 £'000	Movement £'000
Earmarked Reserves	1,892	3,020	1,128

General Fund Balance and Supplementary Budgets

3.14 At 31 March 2012 the General Fund working balance was £4,285,425 and a deficit of £927,378 has been recorded at 31 March 2013, leaving the current balance at £3,358,047. This is an improvement of £134,080 against the budgeted use of balances. The minimum requirement for the General Fund working balance was approved by the Executive in February 2013 at £2million.

3.15 There is a small requirement for supplementary budgets in 2013/14; which is set out in 3.16 below.

3.16 The Council has identified at the end of the year a number of revenue budgets that have not been spent but where a commitment is required in the following financial year. Additionally a number of schemes to be funded by New Homes Bonus have been approved after the budget was set and these are included. It is therefore proposed that supplementary budgets totalling £287,860, identified in Appendix D are approved in 2013/14: -

- Scrutiny Committee – Resources; £ 6,000
- Scrutiny Committee – Community; £ 8,250
- Scrutiny Committee – Economy; £273,610

3.17 Taking into account the proposed supplementary budgets above, the uncommitted General Fund working balance at 31 March 2013 is £3,254,187 as the balance will be taken from earmarked reserves, specifically the New Homes Bonus reserve.

3.18 The Council is still 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.

4. COUNCIL TAX

4.1 As at 1 April 2012, arrears amounted to £2.418m, the movements during 2012/13 were as follows:

	£m	£m
Arrears at 1 April 2012		2.418
Add:		
2012/13 debits raised net of discounts, benefits and transitional relief	48.766	
Less:		
Payments received	(48.996)	
Refunds and change in pre-payments	553	
Write-offs	<u>(187)</u>	
Arrears at 31 March 2013		<u>£2.554</u>

4.2 Against the arrears of £2.554m, 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 2012/13 was 97.3% compared with 97.4% in 2011/12.

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 An aged debt analysis of the Council's sundry debts is shown in the table below. Debt over 30 days old has decreased over the year from £1.719m to £1.602m – a reduction of £117,000. Debts over 5 years old relate in the main to two services, Housing Benefit overpayments and Housing.

Age of Debt	March 2012	March 2013
Up to 29 days (current)	£1,320,699	£1,104,106
30 days – 1 Year	£ 831,060	£ 941,024
1 – 2 years	£ 344,792	£ 381,736
2 –3 years	£ 218,292	£ 192,661
3 – 4 years	£ 84,303	£ 155,925
4 – 5 years	£ 82,126	£ 59,427
5 + years	£ 158,614	£ 186,878
Total	£3,039,886	£3,021,756

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

	Outstanding debt – 31 March 2013 £
▪ Commercial rent	1,056,337
▪ Trade waste / Cleansing	285,664
▪ Service charge, ground rent and major works for leasehold flat owners	66,013
▪ Home call alarms	5,912
▪ Housing benefit overpayments*	1,203,527
▪ Leisure Services & Museums	50,474
▪ Markets & Halls	32,121
▪ AFU	5,944
▪ Economy & Tourism	88,002
▪ HRA	129,806
▪ General Fund Housing	46,065
▪ River & Canal	30,607

*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 2.3% of the total annual benefits paid and in the order of 85% of this amount is recovered.

6. DEBT WRITE-OFFS

6.1 The following amounts have been written-off during 2012/13:

• Council Tax	£187,044
• Business Rates	£401,209
• Sundry Debt	£37,602
• Housing Rents	£ 10,004

7. CREDITOR PAYMENTS PERFORMANCE

- 7.1 Creditors' payments continue to be monitored in spite of the withdrawal of Statutory Performance Indicator BVPI8. The percentage paid within 30 days was 94.79% for 2012/13 compared with 96.64% for 2011/12.

8. RECOMMENDATION

It is recommended that Scrutiny Resources Committee and the Executive note the report and Council notes and approves (where applicable):

- 8.1 That the net transfer of £1,128,348 to Earmarked Reserves as detailed in paragraph 3.11 is approved.
- 8.2 That supplementary budgets of £287,860 be approved as detailed in paragraph 3.16
- 8.3 That Earmarked Reserves at 31 March 2013 be noted;
- 8.4 That the Council Tax account and collection rate be noted;
- 8.5 That the outstanding sundry debt, aged debt analysis and debt write-off figures be noted;
- 8.6 That the creditor payments performance be noted;
- 8.7 By taking into account the overall financial position of the Council as set out in paragraph 3.14 above, the General Fund working balance at 31 March 2013, be approved at £3,358,047;
- 8.8 That the Housing Revenue Account working balance at 31 March 2013 is approved at £6,290,297 and the Council Own Build working balance is approved at £73,498.

ACTING ASSISTANT DIRECTOR FINANCE

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling the report:

None