

REPORT TO: SCRUTINY COMMITTEE- RESOURCES, EXECUTIVE AND COUNCIL

Date of Meeting: Scrutiny Committee Resources - 2 July 2014

Executive - 15 July 2014

Council - 29 July 2014

Report of: Assistant Director Finance

Title: Overview of Revenue Budget 2013/14

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To advise Members of the overall financial position of the HRA & General Fund Revenue Budgets for the 2013/14 financial year and to seek approval for the General Fund working balance, HRA working balance, a number of supplementary budgets and the creation of new earmarked reserves.

2. Recommendations:

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

2.1 That the net transfer of £3,419,871 to Earmarked Reserves as detailed in paragraph 8.3.6 is approved.

2.2 That supplementary budgets of £267,310 be approved as detailed in paragraph 8.3.8

2.3 That Earmarked Reserves at 31 March 2014 be noted;

2.4 That the Council Tax account and collection rate be noted;

2.5 That the outstanding sundry debt, aged debt analysis and debt write-off figures be noted;

2.6 That the creditor payments performance be noted;

2.7 By taking into account the overall financial position of the Council, the General Fund working balance at 31 March 2014, be approved at £3,364,639;

2.8 That the Housing Revenue Account working balance at 31 March 2013 is approved at £5,963,219 and the Council Own Build working balance is approved at £103,512.

3. Reasons for the recommendation:

3.1 To formally approve the Council's end of year financial position and carry forward any budgets that were not spent but the funding is still required.

4. What are the resource implications including non financial resources.

4.1 The impact on the General Fund working balance, HRA working Balance and Council Own Build working balance are set out in sections 8.3.7, 8.2.1 and 8.2.4 respectively.

4.2 A request for supplementary budgets totalling £249,460 has been included in the report.

5. Section 151 Officer comments:

5.1 The report represents the financial position as at 31 March 2014. In respect of the year, whilst there are some areas of the Council that have struggled to remain within budget, the overall position in respect of the General Fund is positive, with a small addition to the working balance. The earmarked reserve to assist with funding the leisure complex now stands in excess of £2 million.

6. What are the legal aspects?

6.1 There are no legal issues raised by this report.

7. Monitoring Officer's comments:

This report raises no Monitoring Officer issues.

8. Report details:

8.1 Financial Summary

FUND	Planned Transfer (to) / from Working Balance	Budget Variance Over / (under)	Outturn Transfer 2013/14
	£	£	£
General Fund	267,700	(274,293)	(6,593)
HRA	(879,760)	1,206,837	327,077
Council own Build Houses	(34,070)	4,056	(30,014)

8.2 Housing Revenue Account (Appendix A)

8.2.1 The Outturn Statement shows a reduction in the working balance of £327,077 to stand at £5,963,219. This is a significant variance from the proposed addition to the balance of £879,760 at the start of the year.

Movement	2013/14
Opening HRA Balance, as at 01/04/13	£6,290,297
Deficit	(£327,077)
Balance, as at 31/3/14	£5,963,220

8.2.2 The key variances are as follows:

Management Unit	Over / (Underspend)	Detail
Repairs and Maintenance Programme	£974,245	<ul style="list-style-type: none"> As reported to this committee during the year, this is due to a rise in the number of reactive repairs reported during the financial year. An overspend occurred in respect of repairs to void properties which reflects an increased number of empty properties along with a higher proportion of properties requiring more extensive work.

8.2.3 The Major Repairs Reserve is 'ring fenced' for capital works. After transfers, the balance on the Major Repairs Reserve will stand at £3,783,724 at 31 March 2014.

Movement	2013/14
Opening Major Repairs Reserve, as at 1/4/13	£2,269,804
Revenue monies set aside during 2013/14	£2,323,273
Amount used to finance capital expenditure during 2013/14	(£809,353)
Balance, as at 31/3/14	£3,783,724

8.2.4 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 2013-14 have resulted in a net surplus of £30,014, which will be transferred to the COB working balance.

Movement	2013/14
Opening Council Own Build, as at 01/04/13	£73,498
Surplus	£30,014
Balance, as at 31/3/14	£103,512

8.3 General Fund (Appendix B)

8.3.1 The Service Committees show an overall underspend of £22,256 against a revised budget of £12,248,020. The main variances are:

8.3.2 Scrutiny Committee Community – (An overspend in total of £159,794)

Management Unit	Over / (Underspend)	Detail
Environmental Protection	63,870	<ul style="list-style-type: none"> • Redundancy costs arising from the deletion of the posts of Environmental Health Manager and two Environmental Health Assistants. • Underspends on supplies and services budgets (equipment, kennelling and publications). • Support service recharge in respect of Legal Services less than budget.
Health & Safety, Licensing & Commercial	(67,833)	<ul style="list-style-type: none"> • Income from licensing exceeded the budget • Saving on pay and agency staff budgets. • Support service recharge in respect of Information Technology, Legal Services and Human Resources less than budget.
Grounds Maintenance	89,611	<ul style="list-style-type: none"> • Cost of dealing with illegal campers partially offset by additional income and cost savings. • Arboricultural costs exceeded the budget. • Rents received exceeded the budget. • Underspend on the AIM priorities budget in respect of works at Rougemont Gardens, budget carry forward required.
SHS – Advisory Services	445,057	<ul style="list-style-type: none"> • Void and reactive repairs costs exceeded budget partially offset by recharge of costs. • Additional expenditure on homeless prevention initiatives. • Salary budgets – savings due to vacancies • Year end figure in respect of income received from Housing Benefits significantly less than previously reported • Surplus on Devon Home Choice – transferred to earmarked reserve.

Management Unit	Over / (Underspend)	Detail
SHS – Housing Development	(60,300)	<ul style="list-style-type: none"> • Additional consultants fee expenditure offset by a transfer from earmarked reserves and S106 income. • Additional income from recharge of costs for time officers spend on Housing Revenue Account related work. • Support Service Recharges less than budget.
Street Cleaning	(101,604)	<ul style="list-style-type: none"> • The implementation of the Living Wage has had a material impact in this service. • Overtime budget underspent and saving on expenditure on replacing litter bins.
Recycling	(100,297)	<ul style="list-style-type: none"> • The implementation of the Living Wage has a material impact in this service. • Additional superannuation and agency staff costs. • Following the agreement of a new contract for the sale of some recyclates, the income from sale of recyclates exceeded the budget. • Savings have been achieved on haulage costs.

8.3.3 Scrutiny Committee Economy – (An underspend in total of £200,738)

Management Unit	Over / (Underspend)	Detail
Property & Estates Services	(100,772)	<ul style="list-style-type: none"> • Additional income from property portfolio - High Street, Guildhall and Commercial Road offset by a shortfall at South Street, Cowick Street and Paris Street. • Underspend on utilities and sub contractor budgets, offset by additional insurance costs. • Asset Improvement & Maintenance (AIM) budgets in respect of lease properties underspent. A budget carry forward request in respect of works at Bradninch Place required.

Management Unit	Over / (Underspend)	Detail
Building Control	(72,604)	<ul style="list-style-type: none"> • Additional income from Building Control fees higher than projected. • Building Control Reserve – surplus transferred to the earmarked reserve. • Additional income from Land Charges fees and street naming. • Redundancy costs arising from the deletion of the Building Control Manager, Land Charges and Records Officer and Assistant Land Charges and Property Records Officer posts. • Support Service recharges less than budget.
Planning Services	116,100	<ul style="list-style-type: none"> • Planning fee income – significantly less than budget. • Salary savings – saving on salary budget due to non-recruitment to vacant posts • Redundancy costs arising from the deletion of Planning Office Manager and Technical Officer posts. • Support Service recharges less than budget. • Revenue contribution – Contribution to Cowick Street Environmental works capital scheme. • Additional expenditure – Habitats Assessments, Community Infrastructure Levy and Local Development Framework. • Reserve – transfer from earmarked reserve to cover additional expenditure.
Major Projects	(86,685)	<ul style="list-style-type: none"> • Budget saving - The bus and coach station project has not progressed as anticipated in the period which has substantially reduced the need for consultancy advice.
Leisure Facilities	(92,021)	<ul style="list-style-type: none"> • Underspend on AIM service & maintenance and reactive repair budgets. • The annual contractual increase on utility costs was less than the budgets which resulted in an underspend.

Management Unit	Over / (Underspend)	Detail
Markets & Halls	(223,185)	<ul style="list-style-type: none"> • Additional income from events and sales of food and drink at the Corn Exchange. • Additional income at Livestock Centre - income sources which exceeded the budget were boardroom hire, auctioneers fees, car parking, open air markets and lettings. • Additional Expenditure – Event promotion at Corn Exchange and additional expenditure on food and drink at venue (offset by additional income). • Underspends on sub contractor and AIM budgets. An AIM budget carry forward is required in respect of the electrical works at the Livestock Centre
Museums Service	98,899	<ul style="list-style-type: none"> • Costs incurred in respect of RAMM redevelopment legal claim, the costs will be met by a transfer from the earmarked reserve. • The costs associated with the sale of Rougemont House have resulted in a budget overspend. • NNDR in respect of RAMM – appeal with Valuation Office. • Offset by backdated NNDR refund – RAMM Central Library and S106 funding transfer. • Electricity and water budgets at RAMM exceeded the budget, partially offset by underspend on gas budget. • Premises maintenance budgets at RAMM overspent.

8.3.4 Scrutiny Committee Resources – (An underspend in total of £179,926)

Management Unit	Over / (Underspend)	Detail
Democratic Representation	(109,901)	<ul style="list-style-type: none"> • A budget was created for Business Transformation that was unspent this year, so the balance of £29,770 has been requested to be carried forward. • Savings have been made in nearly all central support services so the recharges to Democratic Representation have reduced.
Revenue Collection/Benefits/ Customer Service Centre	(332,704)	<ul style="list-style-type: none"> • There was a net additional reduction in the cost of Housing Benefit payments to claimants based on a reduced caseload, performance up to the threshold limit and overpayments recovery. The overall variance represents 0.49% on the original budget of £43.36m. • Grant received for Local Welfare Support has been used to fund our administration costs. • There were redundancy costs and reduced income from court fees that have lead to a small increase in the cost of Council Tax collection. • The cost of upgrading IT systems was funded by increased grant funding. • Vacancies in the Customer Service Centre resulted in operational savings with further savings resulting from reductions in central support services costs across the management unit following their respective service reviews.
Corporate	65,237	<ul style="list-style-type: none"> • The senior management at officer level was reviewed from three positions to two from 1st June 2013 with a resulting redundancy that will be funded by savings being made from 2014-15 onwards. • A refund was received from the abolition of the Audit Commission, thereby reducing the Audit fees paid by the Council.

Management Unit	Over / (Underspend)	Detail
Unapportionable Overheads	222,250	<ul style="list-style-type: none"> • The approved cost of pension fund contributions following redundancies – the individual services pay the actual cost of redundancies to reflect where the subsequent savings will be made. • Employer’s past service pension fund contributions have been underrecovered, with the overall estimated impact on General Fund services being shown in this management unit during the budget monitoring process until being recharged back to the services of the Council at the year-end. • There was an overall credit balance on central support services and unallocated A.I.M. and miscellaneous income.
Corporate Civic Centre Services	(113,250)	<ul style="list-style-type: none"> • The installation of solar panels at the Civic Centre has reduced energy costs. • The repair and maintenance costs at the Civic Centre (AIMS) was underspent. • Central support services were underspent. • Some of the external postage work is now undertaken by an external supplier and is charged direct to services rather than through the central franking machine.
IT Services	(89,109)	<ul style="list-style-type: none"> • A vacancy within the team, savings in software and system maintenance and reduced print usage has resulted in an overall underspend. • More of the work undertaken by IT staff was capitalised resulting in less of a cost to the revenue services throughout the Council. • Central support services were underspent.

8.3.5 Other Financial Variations

Other items	Over / (Underspend)	Detail
Net Interest Paid / Investment Gain	(153,419)	<ul style="list-style-type: none"> • Continued low rates of interest have lowered the cost of borrowing; • Better than forecast cashflow position has increased the level of interest received. • An investment gain has been recognised in respect of the sale of the fund held in Landsbanki.
Revenue Contribution to Capital	366,344	<ul style="list-style-type: none"> • Virtually all the projects funded by revenue relate to those projects approved for funding from the New Homes Bonus and are covered by a transfer from Earmarked Reserves.
Minimum Revenue Provision	79,066	<ul style="list-style-type: none"> • The Council's underlying need to borrow is lower than anticipated resulting in a lower requirement to set aside funds for the repayment of this debt. However following the sale of the funds held in Landsbanki, the Council has made a voluntary repayment to write off the amount remaining, which had originally been capitalised. This is offset by the investment gain above.
Business Rates	(1,687,646)	<ul style="list-style-type: none"> • The new Business Rates scheme shows additional income to the Council of £1,787,646 against the budget of £100,000. • However this is due to the figures being based, as required, on the start of year projections. The final figures demonstrate an actual additional income of £457,069 with the balance having to be repaid to the Collection Fund in 2014-15. • It is proposed therefore that the difference is to be placed in an Earmarked Reserve to be repaid as required (see 8.3.6 below)

8.3.6 Earmarked Reserves

Five new Earmarked reserves are being proposed:

Earmarked reserve	Amount	Detail
Natura 2000	57,020	<ul style="list-style-type: none"> To fund mitigation works on the impacts of new housing development on sites of European ecological significance.
Neighbourhood Planning	36,553	<ul style="list-style-type: none"> To fund any initiatives to prepare neighbourhood plans for communities, such as that adopted for St James ward.
Insurance	223,000	<ul style="list-style-type: none"> To set aside an amount to cover any potential future issues in respect of claims against the Council that are not covered by our insurance policy.
Redundancy	250,000	<ul style="list-style-type: none"> To set aside funds to support the necessary reduction in costs in future years.
NNDR Deficit	1,330,577	<ul style="list-style-type: none"> The new Business Rates scheme runs a Collection Fund similar to that run for Council Tax. The Council's accounts are based on the original estimates and therefore show a large surplus, much of which will have to be repaid to the Collection Fund next year. It is proposed therefore to set this amount aside.

During 2013/14 there has been an overall net contribution to Earmarked Reserves of £3,419,871 as shown in Appendix C.

Movement	2013/14
Opening Balance, as at 01/04/13	£3,020,661
Net additions	£3,419,871
Balance, as at 31/3/14	£6,440,532

8.3.7 General Fund Balance

During 2013/14 there has been an overall net contribution to the General Fund Balance of £6,593. The minimum requirement for the General Fund working balance was approved by Council in February 2014 at £2million.

Movement	2013/14
Opening Balance, as at 01/04/13	£3,358,047
Surplus	£ 6,593
Balance, as at 31/3/14	£3,364,640

8.3.8 Supplementary Budgets

There is a small requirement for supplementary budgets in 2014/15 as 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. It is therefore proposed that supplementary budgets totalling £267,310, identified in Appendix D are approved in 2014/15. Of the total above, £80,000 relates to the HRA.

8.3.9 In addition an additional budget is requested to fund the Parking review for the Council. This will identify the future parking needs of the City and will also identify the parking needs of the new leisure complex. The budget required is £90,000.

8.4 COUNCIL TAX

8.4.1 As at 1 April 2013, arrears amounted to £2.554m, the movements during 2013/14 were as follows:

	£m	£m
Arrears at 1 April 2013		2.554
Add:		
2012/13 debits raised net of discounts, benefits and transitional relief	51.076	
Less:		
Payments received	(51.176)	
Refunds and change in pre-payments	0.527	
Write-offs	<u>(0.084)</u>	
Arrears at 31 March 2014		<u>£2.897</u>

8.4.2 Against the arrears of £2.897m, a bad and doubtful debt provision of £855,000 has been provided, calculated in accordance with the appropriate accounting guidelines.

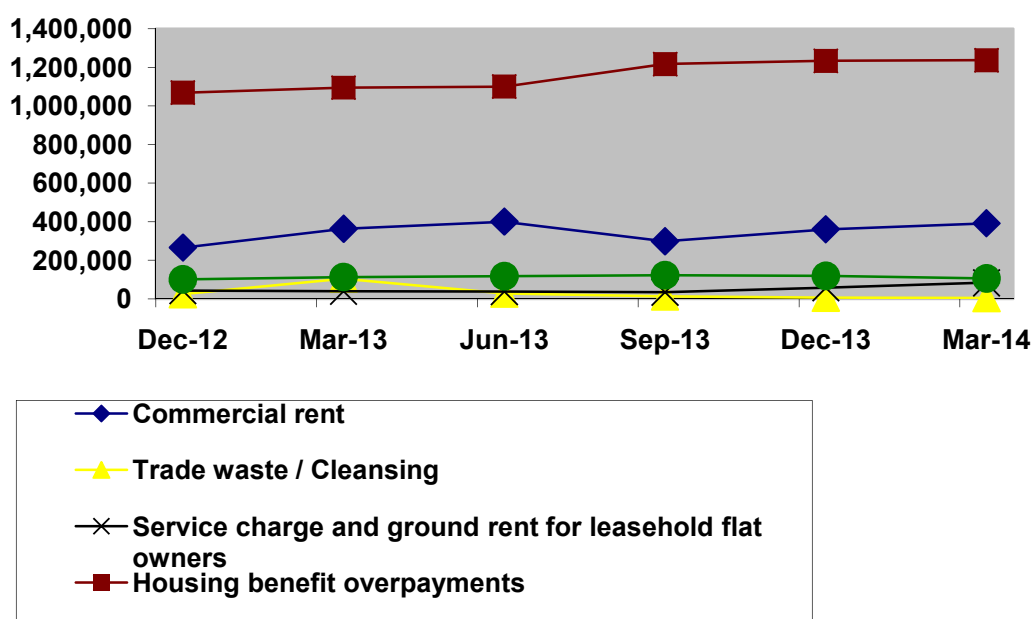
8.4.3 The 'In-Year' collection rate has decreased in comparison with the previous year. The collection rate for 2013/14 was 96.5% compared with 97.3% in 2012/13. This is due to the move from Council tax Benefit to the Local Council Tax Support Scheme, which means some individuals who use to pay no Council Tax now have to pay at least 20%. The Collection Rate is in line with the target set.

8.5 OUTSTANDING SUNDRY DEBT

8.5.1 An aged debt analysis of the Council's sundry debts is shown in the table below.

Age of Debt	March 2013	March 2014
Up to 29 days (current)	£1,104,106	£1,425,531
30 days – 1 Year	£ 941,024	£1,360,144
1 – 2 years	£ 381,736	£465,665
2 –3 years	£ 192,661	£219,889
3 – 4 years	£ 155,925	£107,701
4 – 5 years	£ 59,427	£92,602
5 + years	£ 186,878	£174,446
Total	£3,021,756	£3,845,978

8.5.2 Of the outstanding debt, the graph below sets out the main services and debt trends for debt over 30 days old:



8.6 DEBT WRITE-OFFS

8.6.1 The following amounts have been written-off during 2013/14:

	2013/14	2012/13
• Council Tax	£83,940	£187,044
• Business Rates	£366,058	£401,209
• Sundry Debt	£138,915	£37,602
• Housing Rents	£ 72,921	£ 10,004

8.7 CREDITOR PAYMENTS PERFORMANCE

8.7.1 Creditors' payments continue to be monitored in spite of the withdrawal of statutory performance indicator BVPI8. The percentage paid within 30 days was 95.69% for 2013/14 compared with 94.79% for 2012/13.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 This is a statement of the financial position at the end of the 2013/14.

10. What risks are there and how can they be reduced?

10.1 The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Team and Members.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

11.1 Not applicable

12. Are there any other options?

12.1 Not applicable

David Hodgson
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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires: Democratic Services (Committees), Room 2.3, 01392 265115