

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES
25 MARCH 2009

EXECUTIVE
7 APRIL 2009

OVERVIEW OF GENERAL FUND REVENUE BUDGET 2008-09

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 2008-09 financial year.

2 GENERAL FUND – Appendix A

- 2.1 The Service Committee budgets shows a forecast over spend of £444,550 (2.3%) against a revised budget of £19,633,140. This is an improvement compared to the previous overview report for the first six months that showed a forecast overspend of £1,251,630. The main movement has occurred within Scrutiny Committee Resources for which there is now a predicted underspend of £562,110 as compared to the small overspend of £37,650 reported previously.
- 2.2 In line with CIPFA requirements, the Council operates a five year revaluation cycle of Council land and buildings. During April 2008, all General Fund operational properties were revalued causing, in the vast majority of cases, the value of the asset to increase. As budgets for depreciation were set on the old valuations, this means that the actual charge for depreciation in service accounts is higher than the original budget. In line with Government statute, the amounts charged to services for depreciation is reversed out of the accounts and replaced with a charge to reflect the cost of borrowing. These are notional charges which have no impact on Council Tax calculations.
- 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 over spend of £268,230).

There are additional notional costs of £502,600 (net) in respect of capital charges and deferred contributions. When adjusting for this the Committee is under spent by £234,280.

A vacancy in the Litter Enforcement team has resulted in a saving and a backdated Supporting People grant has been received.

In Cleansing Services, savings are anticipated in Street Cleansing and Refuse Collection and a Local Public Service Agreement in respect of Street Cleansing will result in the receipt of a Performance Reward Grant.

There are vacant posts in Licensing, Food, Health and Safety, Recycling and Community Outreach.

This has been partly offset by additional expenditure for Agency cover of long term sickness in Waterways and Countryside together with additional costs towards the new harbour authority.

Operational costs of Grounds maintenance will exceed the estimate due to both adverse weather conditions and the impact of long term sickness.

Additional expenditure has been incurred in respect of backdated utility charges for the contracted sports facilities and will be met by an earmarked reserve.

Expenditure on handing back private sector leased properties is expected to exceed the budget.

A saving has arisen in staffing costs for Recycling and income from the sale of materials has exceeded the estimates. Additional income will also arise from a Local Area Agreement.

2.3.2 Scrutiny Committee Economy – (An over spend of £1,472,870)

There are additional notional costs of £215,880 (net) in respect of capital charges and deferred contributions. When adjusting for this the Committee is over spent by £1,256,990.

There is a reduction in Car Park income (£397,000) and the Archaeological Field Unit fees (£160,000) mainly due to the general downturn in the economy.

The new nationwide scheme for concessionary travel has resulted in a significant increase in cost for Exeter City Council. (£1,000,000 estimated).

2.3.3 Scrutiny Committee Resources – (An under spend of £562,110)

There is a forecast underspend of £158,000 arising from changes to the way subsidy can be maximised in relation to part of the Council's caseload.

There is a forecast underspend of £43,000 on civic ceremonial due to programmed AIM works at the Guildhall being less than anticipated.

Treasury Services is predicted to have a saving of £146,000 arising predominantly from reduced employee costs that have arisen during the year.

There is a predicted saving of £143,000 in respect of Corporate Customer Services mainly due to a forecast underspend of AIM expenditure.

The Grants budget is currently forecast to be underspent by £56,000 although some of this will need to be carried forward to the next financial year.

3. OTHER FINANCIAL VARIATIONS

- 3.1 As previously reported, during 2007, the Council made two investments with Icelandic banks for a period of 364 days each. The Council invested £3m with Landsbanki to mature on 3rd November 2008 and £2m with Glitnir to mature on 5 December 2008. Both banks have since defaulted on the repayment of these investments together with interest owing to the Council of £316,000. The insolvency and administration process is currently ongoing but it is likely to be many months before the Council

knows what the final outcome is regarding how much of its 'lost' investments may be recovered.

- 3.2 Resulting from the above and other cash flow variations, it is forecast that net interest will be some £500,000 less than had been budgeted for.
As a result of 3.1 above together with volatile interest rates and a decision to defer borrowing to finance the capital programme, there is a reduction of £500,000 in respect of investment interest.
- 3.3 The Council has recently been notified that it will receive its final tranche of Local Authority Business Growth Incentive (LABGI) in respect of 2007/08. This amounts to £577,266 and will be paid to the Council before the end of the current financial year.
- 3.4 There is a net transfer from Earmarked Reserves of £591,080; £5,000 from Transport Initiative reserve, £31,950 from Building Control reserve, £116,050 from the Local Development Framework reserve, £55,000 from the Princesshay reserve and £176,840 from the Planning Delivery Grant reserve, £66,160 from the Leisure Management reserve, £75,090 from the Tree Management reserve and £7,980 from the Vehicle Licensing reserve, £11,360 from the Splash Scheme reserve, £31,860 from Home survey reserve, and £13,790 from the Empty Homes Initiative reserve.
- 3.4 There is £600,730 from the Repairs Fund in respect of AIM works carried forward from 2007-08 to be undertaken in 2008-09.
- 3.5 The overall net deficit is estimated to be £1,293,441 at 31 March 2009 after accounting for July approved supplementary budgets of £1,231,310; this will be transferred from the General Fund Working Balance.

4. OUTSTANDING SUNDRY DEBT

- 4.1 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.

In these quarterly reports, comparisons will be made to inform members of progress in recouping this debt. This does not include housing rent, council tax or business rate debt.

- 4.2 Outstanding debt at 31 March 2008 was £4.097m, at 30 June 2008 it stood at £3.468m, at 30 September it also stood at £3.468m and at 31 December 2008 it was £3.959m. An aged debt analysis is shown below, which demonstrates that of the £3.959m debt, £1.268m is less than 30 days old. Debt over 30 days old has increased over the quarter from £1.933m to £2.691m.

Age of Debt	December 2008	September 2008	June 2008
Up to 29 days (current)	£1,267,742.97	£1,534,787.70	£1,429,868.39
30 days – 1 Year	£1,600,755.59	£904,573.71	1,008,452.15
1 – 2 years	£329,620.84	£288,038.97	£282,308.62
2 –3 years	£221,534.56	£237,895.81	£247,419.31
3 – 4 years	£171,662.54	£141,105.87	£99,451.02
4 – 5 years	£121,192.61	£119,137.52	£158,408.82
5 + years	£246,581.41	£242,125.43	£241,854.25
Total	£3,959,090.52	£3,467,665.01	£3,467,762.56

5. CONCLUSION

5.1 The forecast increase in Service Committee net expenditure for 2008-09 totals £444,550 including the supplementary budgets of £1,231,310. This together with transfers from Earmarked Reserves, the reduction of £500,000 from investment income and the transfer from the Repairs Fund for AIM carried forward (£600,730) will result in a transfer of £1,293,441 from the Working Balance. Whilst this is a significant withdrawal from the Working Balance in the current circumstances it is considered appropriate.

5.2 The forecast General Fund Working Balance at 31 March 2009 is £6,158,105 and equates to 38.0% of the General Fund net expenditure.

6. RECOMMENDATION

It is recommended that:

- The forecast financial position for the 2008-09 financial year is noted.
- The outstanding Sundry Debt position for the second quarter of 2008-09 is noted.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

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

Background papers used in compiling the report:

None