

EXETER CITY COUNCIL**SCRUTINY COMMITTEE - ECONOMY
11 JUNE 2009****ECONOMY SCRUTINY REVENUE FINAL ACCOUNTS 2008-09****1. PURPOSE OF REPORT**

- 1.1 This report advises Members of the overall financial performance of the Economy and Development Directorate for the 2008-09 financial year ended 31 March 2009.

2. INFORMATION

- 2.1 During the course of the financial year ending 31 March 2009, regular reports were made to this committee on the estimated revenue outturn.
- 2.3 As in previous years a technical adjustment to the accounts for pension contributions (FRS17) has been made in line with required accounting practice. This amendment is "reversed out" to show the actual cost to the Council and therefore has no impact on the Council Tax. The treatment is similar to the way we account for capital charges.
- 2.4 As in 2007/08 a further technical adjustment has been made in respect of deferred charges and deferred contributions. In respect of deferred charges, the government allows councils to treat some revenue expenditure as capital expenditure e.g. grants to Housing Associations, or grants to improve or develop assets owned by others (science park contributions and enhancements to the city centre). This expenditure must be shown in the revenue accounts for the year but it is financed by the use of capital receipts or borrowing and therefore these charges are removed from the net cost of services to ensure that they do not impact on the Council Tax requirement.
- 2.5 Deferred contributions are government grants and external contributions received in respect of fixed assets. In order that this adjustment does not impact on the level of Council Tax it is required that the value of deferred contributions released to revenue accounts are reversed out when accounting for total service cost.
- 2.6 In 2008/09 Impairment costs have also been charged to some management units. Each year our Estates Management team are required to assess whether our individual property values have fallen, either because of a particular problem with an asset (known as consumption of economic benefits) or because of a general fall in market values. This year, the global recession has had a significant impact on property values and Exeter has not been immune to this. Therefore some of our properties have dropped significantly in value. Accounting rules require this drop in value in many cases to be charged to the service responsible for the asset. However, the Council is allowed to reverse out the charge below the line to a capital reserve

on the Balance Sheet so that there is no impact on the Council Tax.

2.7 The final outturn has now been calculated, and the report below highlights the major differences by management unit from the approved annual budget. The total variation for the year shows a deficit of £218,467 against the revised annual budget including impairment, with a final deficit of £3,898 after accounting for Revenue Contributions to Capital and transfers from earmarked reserves. The key variations are:

- £1,034,819 deficit related to the national concessionary fares scheme (this is over and above the £300,000 contingency already identified in the approved budget).
- £466,267 shortfall in car parking income (including fees, season tickets and parking fines) though this is partly offset by other savings.
- £ 389,794 deficit in respect of the Archaeological Field Unit.
- £313,905 saving in respect of Asset Improvement and Maintenance (AIM)
- £806,224 saving in deferred charges, mainly in respect of rescheduling the timing of work on the Science Park.
- £128,826 additional income from Property and Estates Services and £95,426 from Markets and Halls; this is partly offset by reduced Land Charges fee income.

2.8 The variances by management unit are shown in the Appendix and explained as follows:

		£
2008-2009 APPROVED ESTIMATE		2,002,270
IMPAIRMENT COSTS		1,307,793
83A1	PROPERTY & ESTATES SERVICES	(281,617)
	There is a saving of £51,000 which relates to staff vacancies, £28,000 for support services and £32,000 savings mainly on consultants fees and IT software costs. This has been offset by a reduction of £62,000 in Land Charges fees. There is a saving of £100,000 in respect of Asset Improvement and Maintenance (AIM)	
	Rental income is £129,000 higher than expected due to the completion of various lease renewals at several properties, geared rent increases and income from the release of several restrictive covenants relating to ex-council dwellings. Income at St George's Retail Units remains lower than budgeted due to the former Card Shop unit being vacant.	
83A2	TRANSPORTATION/CONCESSIONARY FARES	987,340
	As a result of information received from Stagecoach and other smaller bus operators, relating to the usage of concessionary bus travel during the period April to September 2008, the new nationwide scheme for concessionary travel has resulted in a significant increase in costs for Exeter City Council.	

A report was submitted to Executive in January 2009 on a

proposed three year financial settlement with Stagecoach which fixed the costs of concessionary travel arrangements for older people and people with disabilities for 2008/09 to 2010/11. This has been reflected in the final accounts for 2008/09.

However, during the year, the additional cost of Concessionary Fares has been offset to a limited extent by savings in respect of Transportation Initiatives and the Green Travel Plan in this management unit.

83A3	CAR PARKING	348,260
	Car park fee income levels are significantly below budgeted expectations due to the deteriorating economic climate, competition from the new Princesshay car park and the impact of concessionary travel. Additionally, parking fines income has fallen below budgeted levels for the year, continuing a trend which has been observed for the last two years.	
	Overall, income is down by some £466,000, (including fees, season tickets, and parking fines).	
	In addition, capital charges expenditure have exceeded the budget by a total of £107,000, which mostly comprises a one-off £100,000 charge related to revaluation downwards of various car park land and property.	
	There is a reduction of £73,000 on salaries and related expenditure due to vacancies during the year and £148,000 in respect of Asset Improvement and Maintenance (AIM).	
83A4	ECONOMIC DEVELOPMENT	(914,315)
	There is a deferred charge saving of £850,000 in respect of the Science Park due to rescheduling of the spending to 2010/11.	
	There have also been savings in pay and support service costs to this management unit.	
83A5	FESTIVALS & EVENTS	(17,280)
	There has been a saving in administration costs which has been offset by an overall deficit of £8,000 on the various festival events.	
83A6	TOURIST INFORMATION	(12,385)
	There has been a saving on the Underground Passages in respect of salary costs and increased fee income. This has been offset by a reduction in income at the Exeter Visitor Information and Tickets.	
83A8	DISTRICT HIGHWAYS AND FOOTPATHS	18,124

Deferred charges have exceeded the budget in respect of City Centre enhancements due to work brought forward from 2009/10 and Fore Street, Heavitree environmental enhancements as a result of an overspend on the capital programme (see accompanying report).

83A9	BUILDING CONTROL	79,275
	Due to the significant recent contraction in the construction industry, building control fee income has fallen below budget expectations. The impact of this is partially offset by reduced staffing costs. The deficit of £67,824 can comfortably be funded from the Building Control earmarked reserve this year.	
83B1	LAND DRAINAGE	(2,487)
	Income has been received for sewer adoption work.	
83B5	PLANNING SERVICES	(158,822)
	Planning fee income has fallen £67,000 below budgeted levels at the end of the year due to the general downturn in development activity. This is largely offset by staff vacancies, and other operational savings. Additionally, LDF expenditure has reduced by £103,000 mainly in respect of consultants fees.	
	The Planning Delivery Grant exceeded the budget by £147,000. However additional expenditure was incurred on planning appeal costs for O ₂ adjacent to the Exebridges Centre.	
	The balance of the Planning Delivery and Local Development Framework cost centres will be transferred to earmarked reserves.	
83B6	CONSERVATION	(41,020)
	There has been a reduction in expenditure on conservation grants and capital charges for conservation enhancements which are temporarily suspended.	
83B7	ARCHAEOLOGICAL FIELD UNIT	389,794
	The overall income levels for the Field Unit are down for the year mainly due to falling demand within the construction industry, and an increase in non chargeable time.	

Final

8 MAJOR PROJECTS (2,724)
There is an overall saving against the budget, mainly on consultants' fees.

83B9 MARKETS & HALLS (173,676)
Income levels were above budget for the Matford Centre, Markets and the Corn Exchange. This was offset partly by related cost of sales. There was also a net saving of £106,000 in respect of AIM and other running costs, resulting in the 'operating surplus'.

2008-2009 FINAL OUTTURN **£3,528,530**

3. RECOMMENDED that Members note the contents of this report.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

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

1. None