

EXETER CITY COUNCIL

**SCRUTINY COMMITTEE – RESOURCES
17 JUNE 2009**

**EXECUTIVE
29 JUNE 2009**

OVERVIEW OF REVENUE BUDGET 2008-09

1. PURPOSE OF THE REPORT

- 1.1 To advise Members of the overall final financial performance of the General Fund Revenue Budget for the 2008-09 financial year ended 31 March 2009.

2. HOUSING REVENUE ACCOUNT (Appendix A)

- 2.1 The final accounts show an overall increase in the HRA working balance from £2,848,591 to £2,858,265 an increase of £9,674 as compared with the break-even budget.

- 2.2 There is however a net overspend of £498,386 in operating expenditure which is primarily due to:

- An increase in expenditure on reactive repairs and repairs to void properties. This has been offset by an increase in income from rents due to a reduction in Right to Buy sales. The net overspend has resulted in a reduction in the Revenue Contributions to fund capital expenditure on the Exeter Standard and the government's Decent Homes Standard. The total Revenue Contribution to Capital in 2008-2009 is £510k.

- 2.3 The Major Repairs Allowance is 'ring fenced' for capital works and amounts to £3,122,044 and together with £510,000 as a Revenue Contribution to Capital, £243,135 from external funding and £1,330,916 of housing capital receipts a total of £5,206,095 was expended on central heating in 125 properties, bathroom replacements in 94 properties, re-roofing of 137 properties, programmed rewiring in 140 properties, kitchen replacements 183 and other works to meet the government's Decent Homes 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 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

- 3.3 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.
- 3.4 In 2008/09 Impairment costs of £2,090,348 have been charged to the accounts. 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.
- 3.5 An accounting requirement has been introduced, which means that the Council is required to make a charge in its accounts to reflect the loss of interest made when the Council makes loans (Soft Loans) to individuals or organisations at less than a market rate of interest (£12,777). The Council has made an interest free loan to the Northcott Theatre and also provides interest free loans to landlords to upgrade their homes to enable us to provide accommodation to people who would otherwise be classed as homeless. The charges made have been included in the relevant service accounts. The government has introduced a statutory override in England allowing the amendment to be reversed out to ensure that there is no impact on the Council Tax.
- 3.6 There has been an additional FRS17 adjustment of £341,335; this is an actuarial adjustment as a result of the introduction of the new pension scheme in April 2008. Excluding Capital Charges, FRS17 adjustment, reversal of Soft Loans, Deferred Charges and Deferred Contributions the Service Committees show an overspend of £588,332 against a revised budget of £19,633,140.
- 3.7 In addition to Service Committee net expenditure, investment interest is credited to the account 'below the line'. The interest receipts were £660,552 under budget and this is discussed in the Treasury Management report elsewhere on the agenda. The unprecedented financial crisis has resulted in significant interest rate cuts around the world. However, accounting rules that don't allow the Council to recognise some £268,000 of unrealised profit in its accounts, until the investments mature, means that investment portfolio performance has been below estimate. As the unrealised profit will be recognised in next year's accounts, there should be an improvement against next year's budget.
- 3.8 Additional income has been received in the form of a Local Business Growth Incentive Grant (LABGI) of £577,266 and an Area Based Grant of £48,500. The LABGI is a Government initiative, which rewards Local Authority's economic development for increases in the rateable value of commercial properties above a floor and up to a specified maximum. The Area Based Grant was for the Youth Opportunity Task Force and Climate Change strategy.
- 3.9 The main Service Committee variations for the financial year are:
- 3.9.1 The new nationwide scheme for concessionary travel has resulted in a significant increase in cost for Exeter City Council and in 2008/09 this was £1,034,819 over the revised budget. As a result of the economic downturn, there was also a reduction in car park income of £466k compared with the budget.

- 3.9.2 The overall income level for the Archaeological Field Unit (AFU) was down; this was mainly due to falling demand within the construction industry with an increase in non chargeable time. As a result, the AFU incurred a deficit of £390k.
- 3.9.3 Due to non completion of planned maintenance work, Asset Improvement and Maintenance underspent by £480k. Some of this work will be undertaken in 2009/10.
- 3.9.4 The cost of Cleansing Services has reduced; a Local Public Service Agreement in respect of Street Cleansing has resulted in a Performance Reward Grant including a revenue allocation of £122,781. There has been an increase in income from the Trade Recycling Collection Service and a reduction in labour costs as a result of efficiencies in the service.
- 3.9.5 Housing Advisory services incurred additional costs, mainly in respect of repairs to void properties, increased costs for bed and breakfast, serviced accommodation and a reduction in the amount of housing benefit received.
- 3.9.6 In addition there has been £115,000 in Revenue Contributions to Capital in respect of Car Parks signage and Customer Satisfaction Tool, Social Housing grants, software for telephony, Warm Up Exeter scheme, IT software, and a vehicle replacement at the cemeteries.
- 3.10 At 31 March 2008 the General Fund working balance was £7,451,546 and a deduction of £1,886,961 has been made at 31 March 2009 leaving the current balance at £5,564,585. The minimum requirement for the General Fund working balance was approved by the Executive in February 2009 at £2million.
- 3.10.1 There is a small requirement for supplementary budgets in 2009/10; these are identified in 3.11 below.
- 3.10.2 The council is also faced with considerable financial uncertainty in the medium term both in terms of a poor financial grant settlement and potential increasing budgetary pressures from, for example, the introduction of the national concessionary travel scheme. The current medium term financial plan has therefore already identified the need for significant ongoing revenue savings having to be identified and achieved.
- 3.10.3 Finally, the impact of the current review of local government within Devon may also have a significant budgetary impact for the City Council particularly with the financing of any potential transitional costs.
- 3.11 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 2009/10 financial year. It is therefore proposed supplementary budgets totalling £103,390 and identified in Appendix C are approved in 2009/10: -
- Scrutiny Committee – Resources; £71,090
 - Scrutiny Committee – Community; £32,300
- 3.12 If we take into account the proposed supplementary budgets above the uncommitted General Fund working balance at 31 March 2009 is therefore £5,461,195.
- 3.13 Earmarked Reserves totalling £251,141 have been created for specific schemes and purposes as summarised below: -
- Scrutiny Committee – Community: £44,631

- Scrutiny Committee – Resources: £206,510

There has also been £515,617 transferred from Earmarked Reserves as follows:-

- Scrutiny Committee – Community: £251,048
- Scrutiny Committee – Economy: £264,569
- Revenue Contributions to Capital: £115,000
- Transfer of an Earmarked Reserve to the Working Balance £103,918

During 2008/09 there has therefore been an overall net contribution from Earmarked Reserves of £368,394. (Appendix D)

3.14 The movement on Earmarked Reserves and the balance at 31 March 2009 are:

	Balance at 31March 2008 £'000	Balance at 31March 2009 £'000	Movement £'000
Earmarked Reserve			
Earmarked Reserves	2,659	1,690	(969)

4. COUNCIL TAX

4.1 As at 1 April 2008, arrears amounted to £2.346m, the movements during 2008/09 were as follows:

	£m	£m
Arrears at 1 April 2008		2.346
Add:		
2008/09 debits raised net of discounts, benefits and transitional relief	45.672	
Less:		
Payments received	(46.281)	
Refunds and increase in pre-payments	803	
Write-offs	<u>(159)</u>	
Arrears at 31 March 2009		<u>£2.381</u>

4.2 Against the arrears of £2.381m, a bad and doubtful debt provision of £885k has been provided, calculated in accordance with the appropriate accounting guidelines.

- 4.3 The 'In-Year' collection rate has increased slightly in comparison with the previous year. The collection rate for 2008/09 was 97.4% compared with 97.3% in 2007/08.

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 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.

- 5.2 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, at 31 December 2008 it was £3.959m and at 31 March 2009 it was 4.061m. An aged debt analysis is shown below, which demonstrates that of the £4.061m debt, £1.724m is less than 30 days old. Debt over 30 days old has decreased over the quarter from £2.691m to £2.337m.

Age of Debt	March 2009	December 2008	September 2008
Up to 29 days (current)	1,724,055.29	£1,267,742.97	£1,534,787.70
30 days – 1 Year	1,309,734.57	£1,600,755.59	£904,573.71
1 – 2 years	304,503.57	£329,620.84	£288,038.97
2 – 3 years	158,054.92	£221,534.56	£237,895.81
3 – 4 years	220,089.89	£171,662.54	£141,105.87
4 – 5 years	117,505.40	£121,192.61	£119,137.52
5 + years	227,458.88	£246,581.41	£242,125.43
Total	£4,061,402.52	£3,959,090.52	£3,467,665.01

- 5.3 Some 40% (£0.928m) of the £2.337m outstanding, overdue debt relates to housing benefit overpayments, which are subject to statutory regulations in respect of recovery. The remaining £1.409m equates to 10.4% of the total debt raised in 2008-09 (excluding benefits debt). The Council will aim to reduce this to below 10% during the year.

6 CREDITOR PAYMENTS PERFORMANCE

- 6.1 The creditors' payments in respect of the Statutory Performance Indicator BVPI8 have worsened in 2008/09 following the introduction of the new financial information, management and payments system. The percentage paid within 30 days was 87.24% for 2008/09 compared with 95.6 % for 2007/08. Work with the software supplier, together with staff development on the new operating system has improved performance during the year. Work is continuing to increase performance further.

The percentage of invoices paid within 30days per quarter for 2008/09 was:

- Quarter 1 March to June – 83.9%
- Quarter 2 July to September – 79.91%
- Quarter 3 October to December – 91.32%
- Quarter 4 January to March – 92.59%

7 RECOMMENDATION

It is recommended that the report be noted and:

- 7.1 That the net transfer of £969,124 from Earmarked Reserves as detailed in paragraph 3.14 is approved.
- 7.2 That Supplementary budgets totalling £103,390 are approved as detailed in paragraph 3.11
- 7.3 That Earmarked Reserves at 31 March 2009 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 3.10 above, the General Fund working balance at 31 March 2009, be approved at £5,564,585;
- 7.8 That the Housing Revenue Account working balance at 31 March 2009 is approved at £2,858,265.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

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

Background papers used in compiling the report:

None