

## **REPORT TO EXECUTIVE**

Date of Meeting: 6 April 2021

## **REPORT TO COUNCIL**

Date of Meeting: 20 April 2021

Report of: Director Finance

Title: Overview of General Fund Revenue Budget 2020/21 – Quarter 3

### **Is this a Key Decision?**

No

### **Is this an Executive or Council Function?**

Council

#### **1. What is the report about?**

To advise Members of the overall financial position of the General Fund Revenue Budgets for the 2020/21 financial year after nine months.

#### **2. Recommendations:**

It is recommended that Members of the Executive note the report and Council notes and approves (where applicable):

- (1) The General Fund forecast financial position for the 2020/21 financial year;
- (2) The supplementary budgets as detailed in paragraph 8.12;
- (3) The outstanding Sundry Debt position as at December 2020; and
- (4) The creditors payments performance.

#### **3. Reasons for the recommendation:**

To formally note the Council's projected financial position and to approve additional expenditure required during the financial year.

#### **4. What are the resource implications including non financial resources?**

The impact on the General Fund working balance is set out in section 8.11.

The General Fund Working Balance is projected to stand at £4.857 million at year end.

#### **5. Section 151 Officer comments:**

The further lockdown periods have caused a reduction in anticipated car park income, the majority of which will be covered by the Government this year. The Council is projected to end the financial year in a slightly better position than projected at the emergency budget, owing principally to commercial income holding up throughout the pandemic. Looking ahead, financial discipline will be critical throughout 2021-22, as income levels will be challenging to deliver as the country slowly reopens.

## 6. What are the legal aspects?

Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

## 7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

## 8. Report details:

### Overview of General Fund Revenue Budget 2020/21 – Quarter 3

#### 8.1 Financial Summary

FUND	Planned Transfer To / (From) Working Balance	Budget Variance Over / (under)	Outturn Transfer 2020/21
	£	£	£
General Fund	(1,219,957)	220,548	(999,409)

#### 8.2 General Fund (Appendix 1 & Appendix 2)

The current Service forecasts show an overall projected overspend of £783,754 against a revised budget of £23,197,310. This includes supplementary budgets of £1,459,960 already agreed by Council. Variances of more than +/- £30,000 are detailed below:

#### 8.3 Chief Executive & Growth Director

Budget Heading	Over / (Underspend)
Strategic Management	(£63,170)
<b>Responsible Officer: Director Finance</b> Underspend on a £100,000 budget for Agile & Flexible working. This will be carried forward to support delivery in 2021-22.	

#### 8.4 Transformation

Budget Heading	Over / (Underspend)
Active & Healthy People	(£30,000)

**Responsible Officer: Active & Healthy People Programme Lead**

The budget provision for the Tour of Britain will not be required this year. This will be carried forward to support delivery in 2021-22.

8.5 **City Development, Housing and Supporting People**

Budget Heading	Over / (Underspend)
<b>Housing Needs &amp; Homelessness</b>	<b>£176,000</b>
<p><b>Responsible Officer: Service Lead, Housing Needs &amp; Homelessness</b></p> <p>Despite a turbulent year the Housing Needs service has remained in budget the only exception being the area of additional expenditure relating to the Government's "Everybody In" requirement to accommodate all rough sleepers off the streets from 27th March 2020. The Council engaged local commercial hotels, principally the Great Western and Telstar to help provide accommodation for all rough sleepers. The Council also made available a number of self-contained stock properties for individuals with particular health and support needs in order to help aid temporary shielding. Services such as Exeter's night shelter, funded through successful bids to the government's Rough Sleeper Initiative, had to reduce accommodation capacity (from 26 beds to 5) along with all other emergency shared sleeping accommodation in the city. This caused additional pressures on homelessness housing and support services and inevitably increased the need for the Council to procure additional emergency spaces at additional cost in order to accommodate more than just those persons known to be rough sleeping at outset of the pandemic.</p> <p>Despite grant contributions towards the initial costs of this additional demand and the award of an in-year revenue grant (under central government's Next Steps Accommodation programme) the Everybody In directive and the legacy work thereafter has resulted in a projected year end net deficit / cost to the Council of £176k.</p>	

8.6 **Communications, Culture and Leisure Facilities**

Budget Heading	Over / (Underspend)
<b>Tourism</b>	<b>(£63,660)</b>
<p><b>Responsible Officer: Service Lead Communications, Tourism &amp; Culture</b></p> <p>Covid-19 has caused a significant reduction in the activities promoting the city's culture and tourism.</p>	
<b>Museum Service</b>	<b>(£110,850)</b>

<b>Responsible Officer: Service Lead – Museum Manager</b>	
The under-spend is due to staffing – there have been vacancies and currently, two staff members are on reduced hours (temporarily). There has also been an underspend in temporary staff and overtime, due to the Museum being closed for the majority of 20/21	
<b>Leisure &amp; Sport</b>	<b>(£182,670)</b>
<b>Responsible Officer: Service Lead Communications, Tourism &amp; Culture</b>	
The Leisure provision in the city was brought back in house from 1 September, and early indications were that the estimated cost in 2020/21 would be less than the emergency budget put in place from September. However, due to the almost complete closure of the facilities due to the pandemic, it has been hard to corroborate this as both costs and income have been minimal. £100,000 of the under-spend is due to planned redundancies being postponed to beginning of 21/22 after restructure being agreed.	
<b>Visitor Facilities</b>	<b>(£52,660)</b>
<b>Responsible Officer: Facilities &amp; Markets Manager</b>	
The overall loss of income due to Covid (£45,000) has been offset by the reduced costs of closure. The majority of savings has been due to the permanent closure of the Exeter Visitor Information & Ticket Office (EVIT)	

#### 8.7 Net Zero Exeter and City Management

<b>Budget Heading</b>	<b>Over / (Underspend)</b>
<b>Parking Services</b>	<b>£994,240</b>
<b>Responsible Officer: Service Manager – Engineering, Waterways &amp; Parking</b>	
Parking income has been severely impacted by Covid 19 and the ongoing lockdowns and restrictions during the financial year. When the emergency budget was set during the summer we anticipated that income would gradually recover up to 90% of original budgeted levels. However it is now apparent that even the emergency budget projected income is unlikely to be achieved.	
ECC is benefitting from the Sales, fees and charges compensation scheme and recovering 75% of eligible net losses, and this scheme is extended to June 2021.	
<b>Waterways</b>	<b>£60,660</b>
<b>Responsible Officer: Service Manager – Engineering, Waterways &amp; Parking</b>	
The projected overspend includes redundancy costs of one post which was removed during the recent internal re-structure of Parks & Green Spaces, and Engineering, Waterways & Parking. There has also been investment in equipment and materials required for the mooring repairs business purchased at the end of 2019/20, and it is intended that this work will generate a surplus in future years. Some purchases relate to 'stock in hand' which is expected to be sold on at profit through commercial activities.	

<b>Engineering</b>	<b>£57,090</b>
<p><b>Responsible Officer: Service Manager – Engineering, Waterways &amp; Parking</b></p> <p>These additional costs include the redundancy of one Assistant Engineer post which was removed in the re-structure with the result of future salary savings. As the implementation of the re-structure had been delayed there were additional salary costs incurred during the year over and above the budget.</p>	
<b>Street Cleaning</b>	<b>£43,260</b>
<p><b>Responsible Officer: Service Manager – Public &amp; Green Spaces</b></p> <p>This service has managed to deliver the staff savings offered in the emergency budget despite the pressures of Covid including covering for vulnerable staff who have been shielding. However there are two unexpected financial pressures;</p> <p>sharing the additional costs being incurred at Exton Road for drain clearance where vehicles (including street sweepers) are washed. This is in order to comply with South West Water requirements, and longer term solutions are being investigated, and the In Exeter agreement has reduced the amount of cleaning in the BID area this year which has resulted in a fall in net income.</p>	
<b>Domestic Refuse Collection</b>	<b>£87,090</b>
<p><b>Responsible Officer: Interim Waste, Recycling &amp; Fleet Manager</b></p> <p>This budget is under pressure from a variety of factors including sickness and agency costs, and vehicle maintenance and repairs which aren't covered under the SFS contract.</p>	
<b>Cleansing Chargeable Services</b>	<b>(£70,350)</b>
<p><b>Responsible Officer: Interim Waste, Recycling &amp; Fleet Manager</b></p> <p>The underspend is primarily due to the income budgets on MRF Commercial work being moved to Recycling. There is a saving on the budgeted costs as there is no further planned activity this year due to the fall in value of recyclate and the unreliability of the MRF. Green waste continues to generate more income than expected. It was hoped that Trade waste would recover to normal levels by October and even be exceeded with new contracts, but this has not been the case with the ongoing impact of Covid 19.</p>	
<b>Cleansing Overheads</b>	<b>£73,500</b>
<p><b>Responsible Officer: Interim Waste, Recycling &amp; Fleet Manager</b></p> <p>There has been unavoidable expenditure on site at Exton Road, most notably the ongoing expenditure on drain clearance in order to satisfy South West Water requirements which the service is sharing with Street Cleaning (see above).</p>	
<b>Recycling</b>	<b>£467,710</b>
<p><b>Responsible Officer: Interim Waste, Recycling &amp; Fleet Manager</b></p>	

The projected over-spend has continued to rise due to agency costs, the ongoing costs of haulage of recyclate to other sites for processing when there are issues at the MRF, and low levels of income from sales of materials compared with budget.	
<b>Growth &amp; Commercialisation</b>	<b>(£94,460)</b>
<p><b>Responsible Officer: Growth &amp; Commercialisation Manager</b></p> <p>£40k has been saved from the Transformation Fund by requesting that Strata develop the commercialisation website within existing developer days. There are savings on staff and agency budgets, and it is likely that a supplementary budget request will be submitted for approval to carry forward these amounts to contribute to the costs of delivering the Net Zero team in 2021/22.</p>	
<b>Fleet Management &amp; Maintenance</b>	<b>(£120,000)</b>
<p><b>Responsible Officer: Interim Waste, Recycling &amp; Fleet Manager</b></p> <p>Fleet items leased in have been assessed as finance leases, which requires the Council to effectively treat the leased item as an acquisition. This is largely because the Council has the same risks and rewards as ownership. In accordance with proper accounting practice, we are required to split the monthly lease payments between purchase costs, interest charges and routine maintenance costs. The £120k saving reflects the transfer of interest costs to below the net cost of services. A corresponding overspend is reported in respect of net interest costs. The overall cost to the Council remains the same.</p>	

## 8.8 Finance

<b>Budget Heading</b>	<b>Over / (Underspend)</b>
<b>Corporate Property - Estates</b>	<b>(£241,496)</b>
<p><b>Responsible Officer: City Surveyor</b></p> <p>Rental income has been significantly higher than expected (the emergency budget was set at 75% of original budget; collection now looks to be nearer 90% of original budget). Currently, there are two empty retail units at St George's, reducing the expected income by around £85,000. There has also been a loss of around £70k from Southgate Hotel due to closure. There has also been an adverse spend on AIM lease requirements in Miscellaneous properties of £60k, which there was no budget for.</p>	
<b>Major Projects</b>	<b>£55,630</b>
<p><b>Responsible Officer: City Surveyor</b></p> <p>Overspend due to the appointment of consultants.</p>	
<b>Corporate Property - Energy</b>	<b>(£33,100)</b>
<p><b>Responsible Officer: City Surveyor</b></p> <p>Capitalised salary costs relating to the Smart Grid and Storage Project at Water Lane, which was not included in the original revenue budget due to delays in project initiation.</p>	

## 8.9 Corporate Services

Budget Heading	Over / (Underspend)
<b>Corporate Support</b>	<b>£70,040</b>
<p><b>Responsible Officer: Corporate Manager Democratic and Civic Support</b></p> <p>The pandemic has severely affected the rental income at the Civic Centre, with a forecast loss of £186,000.</p> <p>This has been partly offset by staff vacancies, a saving on National Non Domestic Rates (NNDR) and closure savings (including utilities, postage costs etc).</p>	
<b>Transportation</b>	<b>(£50,200)</b>
<p><b>Responsible Officer: Corporate Manager Democratic and Civic Support</b></p> <p>The represents the income received for parking at the Civic Centre – this includes the 30 spaces rented to the police which is charged regardless of use. The surplus is moved to reserves at year-end.</p>	

## 8.10 Other Financial Variations

Budget Heading	Over / (Underspend)
<b>Net interest</b>	<b>(£29,000)</b>
<p>Based on current Cashflow, it is unlikely that additional borrowing will be required, which has offset the reductions in interest received as a result of lower interest rates.</p> <p>As detailed above in Fleet Management and Maintenance a £120k overspend is reflected here to reflect the transfer of interest costs to below the net cost of services.</p>	
<b>Covid 19 Grant</b>	<b>(£515,739)</b>
<p>Further awards of funding from Central Government to support Councils have been made.</p>	
<b>Sales, Fees &amp; Charges Compensation</b>	<b>(£3,682,000)</b>
<p>On 2 July, the Secretary of State announced a new support measure to reimburse councils for income from sales, fees and charges that are irrecoverable due to the pandemic. The first two claims totalled £2.682m. It is estimated that a further £1m will be recoverable over the remaining period of the financial year. This will offset much of the projected additional loss of car park income as a result of the second lockdown.</p> <p>Council approved up to £1m from the income loss compensation scheme to be allocated to fund urgent issues arising out of the response to Covid-19 and to offset the reductions in service budgets if required for urgent issues. Use of the £1m set aside is delegated to the Chief Executive, in consultation with the Leader and Director Finance.</p>	

## 8.11 General Fund Balance

In 2020/21 it is projected that there will be an overall net contribution from the General Fund Balance of £444,625. The minimum requirement for the General Fund working balance was approved by Council in February 2020 at £3m.

<b>Movement</b>	<b>2020/21</b>
Opening Balance, as at 01/04/20	£5,856,249
Deficit	(£999,409)
<b>Projected Balance at Year End</b>	<b>£4,856,840</b>

### 8.12 Supplementary Budgets & Budget Transfers

It is proposed that the supplementary budgets identified in Appendix 3 are approved and added to the 2020/21 budget.

- £52,950 will need to be funded by the general fund and will reduce the working balance.
- £56,160 will be financed from an earmarked reserve and therefore will have no impact on the projected General Fund working balance.
- The depreciation adjustment will have no impact on the projected General Fund working balance.

### 8.13 Outstanding Sundry Debt

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

<b>Age of Debt</b>	<b>December 2019</b>	<b>March 2020</b>	<b>December 2020</b>
Up to 29 days (current)	£1,204,919	£2,399,454	£1,989,116
30 days – 1 Year	£2,505,668	£1,530,103	£2,946,419
1 – 2 years	£472,577	£451,358	£944,786
2 – 3 years	£537,956	£550,482	£356,898
3 – 4 years	£290,301	£276,837	£216,770
4 – 5 years	£463,515	£417,580	£248,055
5 + years	£686,173	£752,772	£1,024,223
<b>Total</b>	<b>£6,161,109</b>	<b>£6,378,586</b>	<b>£7,726,267</b>

### 8.14 Debt Write-Offs

The following amounts have been written-off during 2020/21:

	2019/20 Total	2020/21 (up to Qtr 3)
• Council Tax	£268,615	£66,624
• Business Rates *	£1,924,524	£0
• Sundry Debt	£36,552	£261
• Housing Rents	£74,727	£61,893
• Non-HRA Rents	£91,418	£59,823
• HB Overpayments	£153,310	£166,280

\* Business Rate write offs dealt with annually

### 8.15 Creditor Payments Performance

Creditors' payments continue to be monitored in spite of the withdrawal of statutory performance indicator BVPI8. The percentage paid within 30 days was 97.66% after nine months of 2020/21 compared with 95.34% for 2019/20.

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

This is a statement of the projected financial position to the end of the 2020/21.

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

The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Board and Members. Members have a legal responsibility to take action where balances are projected to reach an unsustainable level and the Strategic Management Board are working to address the current projected shortfall in reserves.

Areas of budgetary risk are highlighted in this report. The key areas of budgetary risks are attached as Appendix 4, for reference.

## 11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 There are no significant equality and diversity impacts associated with this decision.

## **12. Carbon Footprint (Environmental) Implications:**

There are no direct carbon/environmental impacts arising from the recommendations.

## **13. Are there any other options?**

Not applicable.

**Director Finance & S151 Officer, Dave Hodgson**

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## **Local Government (Access to Information) Act 1972 (as amended)**

Background papers used in compiling this report:

None

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