

REPORT TO EXECUTIVE

Date of Meeting: 6 July 2021

REPORT TO COUNCIL

Date of Meeting: 21 July 2021

Report of: Director Finance

Title: Overview of General Fund Revenue Budget 2020/21

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 and to seek approval for the General Fund working balance, a number of supplementary budgets and the creation of new earmarked reserves.

2. Recommendations:

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

- (1) That the net transfer of £23,901,227 to Earmarked Reserves as detailed in paragraph 8.11 is approved;
- (2) That the supplementary budgets of £5,602,710 and budget transfers as detailed in paragraph 8.13 are approved;
- (3) That the Earmarked Reserves at 31 March 2021 be noted;
- (4) That the Council Tax account and collection rate be noted;
- (5) That the outstanding sundry debt, aged debt analysis and debt write-off figures be noted;
- (6) The creditors payments performance be noted; and
- (7) By taking into account the overall financial position of the Council, the General Fund working balance at 31 March 2021 be approved at £4,696,280

3. Reasons for the recommendation:

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

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

The impact on the General Fund working balance is set out in section 8.12.

5. Section 151 Officer comments:

The outturn results have been skewed by the Pandemic and the Government's support to business and Councils. Significant amounts are being set aside in Earmarked Reserves but will be required next year to offset the deficit on the Business Rates Collection Fund. That being said, the decisive action taken through the Emergency Budget and the ensuing Government support has provided the Council with a one-off windfall that has provided the opportunity, if Council approves, to set aside some funds to protect against income losses in 2021-22, which are inevitable as a result of continuing restrictions. There is also the opportunity to set aside one-off pots of money to address the Council's key priorities such as working towards a net zero City.

This performance is one-off in nature and therefore does not impact on the longer term challenges facing the Council. If the Government press ahead with resetting business rates and removing New Homes Bonus, the Council still faces a £6 million shortfall that must be addressed. If other reports on the agenda are approved, this will rise the £6.7 million. This is a substantial reduction and Members must be aware of the difficult decisions that they face to address this over the coming months.

6. What are the legal aspects?

The Local Government Finance Act 1992 places a legal requirement on Council to approve not only the budget but also any changes to the budget proposed during the year. Council has a legal duty to ensure that the budget is balanced and that any changes to the budget are fully funded.

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

8.1 Financial Summary

| FUND | Planned Transfer To / (From) Working Balance £ | Budget Variance Over / (under) £ | Outturn Transfer 2020/21 £ |
|--------------|---|-------------------------------------|-------------------------------|
| General Fund | (1,272,907) | 112,938 | (1,159,969) |

8.2 General Fund (Appendix 1 & Appendix 2)

The Services show an overall underspend of £5,413,674 against a revised budget of £23,336,420. Variances of more than +/- £30,000 are detailed below:

8.3 Chief Executive & Growth Director

| Budget Heading | Over / (Underspend) |
|----------------|---------------------|
|----------------|---------------------|

| | |
|---|------------------|
| IT Services | £57,603 |
| <p>Responsible Officer: Director Finance</p> <p>The Council's portion of the annual Strata saving was not achieved against budget, with a shortfall of almost £52,000; this was mitigated slightly by a saving of almost £11,000 in costs associated with the service.</p> | |
| Strategic Management | (£96,756) |
| <p>Responsible Officer: Director Finance</p> <p>The underspend is due to consultants costs not being realised, including the Carbon Action plan and in Agile & Flexible working. Therefore, these unused budgets will be rolled forward into 21/22 and requested as supplementary budgets (£50,000 for consultancy work including £29,000 for the delayed Carbon Action plan and £80,000 for Organisational Development work). The costs associated with the Glenthorne Road bomb discovery and detonation was an additional pressure of £26,273</p> | |

8.4 Transformation

| | |
|---|----------------------------|
| Budget Heading | Over / (Underspend) |
| Active & Healthy People | (£33,797) |
| <p>Responsible Officer: Active & Healthy People Programme Lead</p> <p>The budget provision for the Tour of Britain was not be required this year. This will be carried forward to support delivery in 2021/22.</p> | |
| St Sidwells Point | (£59,848) |
| <p>Responsible Officer: Director</p> <p>Works are still progressing on the project and a supplementary budget will be requested for 2021/22.</p> | |
| Exeter Community Grants Programme | (£252,416) |
| <p>Responsible Officer: Active & Healthy People Programme Lead</p> <p>The underspend for the Community Grants programme in 2020/21 accrued due to the fact that Large and Small grant schemes were put on hold due to COVID-19. Ward Grants were also paused for a period during the year before being re-introduced in 2021. A COVID-19 action fund was set up focussed at some seed grants for community groups and organisations supporting residents during COVID-19. Match funding was provided by Exeter Chiefs Foundation which meant that further expenditure through the Exeter grants programme was not incurred.</p> <p>The Exeter Community Grants Programme is funded by Neighbourhood CIL, the funding will be available to re-allocate in future years.</p> | |

8.5 City Development, Housing and Supporting People

| Budget Heading | Over / (Underspend) |
|--|---------------------|
| Building Control | (£111,996) |
| <p>Responsible Officer: Programme Director – Liveable Exeter</p> <p>Both Land Charges and Building Control income exceeded the emergency budget and was closer to the original budget forecasts due to increased activity in the housing market and home improvement works.</p> | |
| Planning Services | (£94,155) |
| <p>Responsible Officer: Programme Director – Liveable Exeter</p> <p>£60,000 of the budget allocated for CIL charging schedule consultancy was not spent due to delays. A supplementary budget has been requested for 2021/22.</p> <p>Income collected from developers in respect of habitats mitigation will be transferred into an earmarked reserve.</p> | |
| Revenues, Benefits & Customer Access | (£721,980) |
| <p>Responsible Officer: System Lead Revenues, Benefits & Customer Access</p> <p>A balance of £814k of Additional Restrictions Grant funding and £64k Well-Being Support Grant will be transferred to earmarked reserves.</p> <p>The loss allowance in respect of outstanding invoices in relation to the recovery of overpayments has been reviewed and increased to ensure prudent provision is made for non-recovery.</p> | |
| Liveable Exeter Garden City | (£1,026,889) |
| <p>Responsible Officer: Programme Director – Liveable Exeter</p> <p>A second Garden Communities grant of £475k and a Development Corporation Competition grant of £380k have been received, both amounts will be transferred to earmarked reserves and supplementary expenditure budgets requested in 2021/22.</p> <p>Work continues on the original project with a supplementary budget of £172k requested for 2021/22, this expenditure is also funded from an earmarked reserve.</p> | |

8.6 Communications, Culture and Leisure Facilities

| Budget Heading | Over / (Underspend) |
|---|---------------------|
| Tourism | (£34,332) |
| <p>Responsible Officer: Service Lead Communications, Tourism & Culture</p> | |

The extensive lockdown periods throughout 2020/21 have led to a reduction in the amount of marketing activity carried out in relation to Tourism, leading to a saving of £56k. This has offset the £18k overspend in 'Visit Exeter' caused by a loss of income from a reduction in the number of subscribers to the service.

| | |
|----------------------------|------------------|
| Markets & Halls | (£28,997) |
|----------------------------|------------------|

Responsible Officer: Facilities & Markets Manager

Despite Covid-19 causing most of the income-generating activities to be halted, the savings made across the whole of Markets and Halls have materially offset the loss of income. Also, the income budget for the auctioneers at The Matford Centre was reduced by almost 25% due to the uncertainty of how the pandemic would affect their business. However, Kivells have been able to continue operating and have had a profitable year – this had led to a £150,000 positive variance against the emergency income budget (or a positive variance of £60,000 against the original budget)

| | |
|-----------------------|-------------------|
| Museum Service | (£169,824) |
|-----------------------|-------------------|

Responsible Officer: Service Lead – Museum Manager

There have been significant savings in staffing (roughly £72k) with a vacancy, a temporary reduction in hours for two staff members and no use of non-contractual overtime. The new CCTV system has not yet been installed giving rise to a saving of £15,700 and a credit of £13,600 received from the Exeter Bid Levy for overpayment between 15/16 and 18/19. Material savings have also been achieved across the management unit due to the Museum being closed during the pandemic, including £16,000 saved in the shop.

8.7

| | |
|----------------------------|-------------------|
| Leisure & Sport | (£420,584) |
|----------------------------|-------------------|

Responsible Officer: Service Lead Communications, Tourism & Culture

20/21 has been an uncertain year for our leisure and sports facilities and bringing them in-house during a national pandemic has been challenging. The emergency budget allocated to operate the centres was based on a 'normal' year and had provisions included to cover not only standard operating costs but any unforeseen consequences of the transition from Parkwood. Many of these costs have not materialised in 2020/21 (including £110,000 for redundancies) and other savings have been made due to the centres remaining closed for the majority of the year.

| | |
|---------------------------|------------------|
| Visitor Facilities | (£63,272) |
|---------------------------|------------------|

Responsible Officer: Facilities & Markets Manager

The underspend is predominantly because of saved costs due to the closure of the Visitor Information Centre; without this, Visitor Facilities have made a more modest saving of almost £16,000. The outlook for 2021/22 is uncertain, as the post-lockdown recovery period cannot be predicted; however, if we have a good summer and there is no re-emergence of Covid-19, there are grounds for cautious optimism.

Net Zero Exeter and City Management

| Budget Heading | Over / (Underspend) |
|---------------------------------|----------------------------|
| Environmental Protection | (£115,607) |

Responsible Officer: Service Lead – Environmental Health and Community Safety

This underspend has arisen due to savings on staff vacancies during the year and savings on supplies and services.

The balance includes £29,595 Compliance and Enforcement grant funding which will be transferred to a reserve and used to continue to fund Safer City Ambassadors in 2021/22.

Licensing, Food, Health & Safety

(£145,842)

Responsible Officer: Service Lead – Environmental Health and Community Safety

£97,752 of this underspend is the balance of Exeter Business Against Crime partnership contributions which have previously been carried forward each year but this year will be transferred to the reserve. £42,534 expenditure on vehicle licensing has been funded from reserves.

The remaining underspend is due to staff vacancies, and supplies and services costs being lower than budgeted.

Parking Services

£699,522

Responsible Officer: Service Lead – Engineering, Waterways & Parking

Parking income has been severely impacted by Covid 19 during the financial year. When the emergency budget was approved this expected less than half the parking income in the original budget, however due to further lockdowns and restrictions the actual income was £960k below the revised budget.

This has been partly offset by savings on staff, reduced charges from RingGo, cash collection and rates refunds. ECC is benefitting from the Sales, Fees and Charges compensation scheme and recovering 75% of eligible net losses, and this scheme is extended to the end of June 2021.

Waterways

£63,724

Responsible Officer: Service Lead – Engineering, Waterways & Parking

The overspend includes £25.5k redundancy costs as a result of service re-structure.

The purchase of the mooring repairs early in the year has not yet generated a surplus as further equipment needed to be purchased. Repairs to navigation buoys were identified during the year which did not meet the threshold to be capitalised. Additional costs have been incurred for cleaning the customer toilets at the canal office in line with COVID requirements.

Parks & Green Spaces

(£217,675)

Responsible Officer: Service Lead – Public & Green Spaces

The arboriculture have a £20k underspend as a result of savings on the sub-contractors budget but are requesting that this is carried forward as it was difficult to progress work during 2020/21 but it is still required.

Children's play areas have underspent by £59k on works and maintenance. Play areas have been heavily used this year and it has been difficult to close for repairs. Therefore this funding will be needed next year and a supplementary budget has been requested.

Other savings have been generated from vacancies, additional income generated by the commercial team, and not all of the supplementary budget approved to cover the additional costs of cleaning play areas to Covid standards was spent due to efficiencies.

Bereavement Services

(£65,172)

Responsible Officer: Service Lead – Public & Green Spaces

The cemeteries budget is underspent due to savings on staff costs, works, purchases of equipment, and sale of assets.

Street Cleaning

(£80,223)

Responsible Officer: Service Lead – Public & Green Spaces

This surplus includes the net £59k insurance settlement relating to the write off of a street sweeper. However this will be needed to offset the corresponding deficit as a result of the early termination of the lease.

Cleansing Chargeable Services

(£250,505)

Responsible Officer: Interim Waste, Recycling & Fleet Manager

The underspend is primarily due to the income budgets on MRF Commercial work being moved to Recycling and savings on the planned costs as commercial activity was halted.

Income from green waste exceeded its budget during the year, the impact of further lockdowns and restrictions in quarter 4 did not have the same detrimental impact on trade waste income as the initial lockdown, and the team have identified new customers.

Cleansing Overheads

£40,183

Responsible Officer: Interim Waste, Recycling & Fleet Manager

There has been unavoidable expenditure on site at Exton Road including re-surfacing and H&S improvements.

Transport Management has overspent as the budget was produced on the assumption that there would be a shared Fleet Manager with Mid Devon DC, however this has not been practical and ECC requires the existing staffing levels to manage the Council's fleet effectively.

Recycling

£489,829

Responsible Officer: Interim Waste, Recycling & Fleet Manager

Recycling and the Materials Reclamation Facility (MRF) have overspent during the year due to the use of agency staff, maintenance costs, the costs of haulage of recyclate to other sites for processing when there are operational issues at the MRF, and low levels of income from sales of materials.

| | |
|---|---------------------|
| Growth & Commercialisation | (£1,195,348) |
| <p>Responsible Officer: Growth & Commercialisation Manager</p> <p>£1,046,649 is the balance of Additional Restrictions Grant for Business Support and Hardship Fund which will be transferred to reserves.</p> <p>There was an £18k saving on an apprentice in the Growth Admin budget and a £33k saving in Exeter City Futures agency costs, and a request will be made to carry these unspent balances forward to be spent in 2021/22.</p> <p>The £40k salary budget for Building Greater Exeter was not required as ECC's contribution to the partnership is paid from the Growth Admin budget.</p> <p>Transformation funding of £45k for the Commercialisation website is no longer required as this work will be done by Strata within existing developer days. The planned work on achieving the required ISO accreditation has not progressed during the year due to lack of capacity, but it is intended that this will go ahead during 2021/22.</p> | |

8.8 Finance

| Budget Heading | Over / (Underspend) |
|---|----------------------------|
| Corporate Property - Estates | (£681,540) |
| <p>Responsible Officer: City Surveyor</p> <p>Due to the uncertainty surrounding the impact of the pandemic at the start of the 2020/21 financial year, the budgeted commercial rental income was reduced by 25% as it was believed that many Council tenants would not be able to meet their payment obligations and there would be difficulties in finding new tenants for unoccupied properties. However, due to active estate management by the Council's Estates team and various government support schemes, rental income has remained significantly above budget. Looking forward to 2021/22, there is much uncertainty around how rental income will be affected by the withdrawal of government support and the removal of the moratorium on debt collection, so that it is impossible to predict how the figures will look 12 months from now.</p> | |
| Major Projects | (£144,949) |
| <p>Responsible Officer: City Surveyor</p> <p>The 2020/21 budget had assumed a substantial amount would be spent on consultants. However, this cost never materialised in-year, giving rise to this underspend.</p> | |
| Corporate Property – Assets | (£70,356) |
| <p>Responsible Officer: City Surveyor</p> <p>Despite a challenging year, the property team maintained a consistent service. Savings were achieved in maintenance costs, fleet and fuel usage as well as small savings in equipment purchases. In addition, £14,000 in salary costs were transferred over to the ERDF project for capitalisation, giving an overall saving of £70,356</p> | |
| Corporate Property - Energy | (£49,550) |

| | |
|---|----------------|
| Responsible Officer: City Surveyor | |
| The in-year saving is entirely due to the transfer of capitalised salary costs to the smart grid and storage project at Water Lane. This was not included in the original revenue budget for 2020/21 due to delays in the project's initiation. A supplementary budget will be requested for 2021/22. | |
| Corporate | £52,317 |
| Responsible Officer: Director | |
| The year-end audit fee has increased due to new work carried out in 20/21, including additional work on Value for Money and increased audit requirements of revised ISAs. | |
| Unapportionable Overheads | £70,181 |
| Responsible Officer: Director | |
| During the year, eight ECC staff members have left the Council's employment, incurring an additional strain on pension payments. | |

8.9 Corporate Services

| Budget Heading | Over / (Underspend) |
|---|----------------------------|
| Corporate Support | £78,394 |
| Responsible Officer: Corporate Manager Democratic and Civic Support | |
| The Civic Centre has lost a substantial amount of rent this year due to the pandemic and new tenants have not been found for vacant units; the overall loss in external income is £183,000. There has been material savings in other areas of Corporate Support, due to on-going vacancies and the Civic Centre being closed; however, these only partly offset the loss in rental income. The outlook for 21/22 is uncertain as it is impossible to predict the post-lockdown recovery period and although there may still be operational savings if the Civic Centre remains predominantly empty, it is likely that the rental income will be an unknown quantity for the foreseeable future. | |
| Transportation | (£42,353) |
| Responsible Officer: Corporate Manager Democratic and Civic Support | |
| The outstanding balance on this cost centre will be transferred to the Green Travel reserve to further support the Council's plans to make Exeter a carbon-free city. | |

8.10 Other Financial Variations

| Budget Heading | Over / (Underspend) |
|--|------------------------|
| Net interest | (£342,434) |
| Actual levels of borrowing were less than budgeted, this has offset the reduction in interest received as a result of lower interest rates. | |
| Covid 19 Grant | (£515,739) |
| Further awards of funding from Central Government to support Councils have been made. | |
| Sales, Fees & Charges Compensation | (£4,343,026) |
| 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. Claims for the year totalled £4.343m. This has offset much of the additional loss of car park income as a result of the second lockdown. | |
| 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. | |

8.11 Earmarked Reserves

During 2020/21 there has been an overall net transfer to Earmarked Reserves of £23.901m. The details of all Earmarked Reserve movements are shown in Appendix 3.

| Movement | 2020/21 |
|---------------------------------|--------------------|
| Opening Balance, as at 01/04/20 | £8,529,876 |
| Net transfer | £23,901,227 |
| Balance, as at 31/03/21 | £32,431,103 |

Earmarked reserves at the end of the financial year are significantly higher than most years, which is most notably due to the setting aside of £17.4m in respect of business rates.

Each January, local authorities are required to estimate the amount of business rates income for the forthcoming financial year and that is the amount that is both factored into the budgets and accounted for in the year. However, the January 2020 estimate was pre-Covid19, therefore actual business rates was much lower due to a number of changes enacted by the Government to support businesses.

The Government compensated the authority for the reduction in business rates, which meant that, during 2020/21, the authority received both the compensation and accounted for the original estimated business rate income, in accordance with proper practice. An earmarked reserve has therefore been set-up to provide for the repayment of £17.4m during 2021/22.

8.12 General Fund Balance

During 2020/21 there has been an overall deficit of £1,159,969. The minimum requirement for the General Fund working balance was approved by Council in February 2021 at £3 million.

| Movement | 2020/21 |
|---------------------------------|-------------------|
| Opening Balance, as at 01/04/20 | £5,856,249 |
| Deficit | (£1,159,969) |
| Balance at 31/03/21 | £4,696,280 |

8.13 Supplementary Budgets & Budget Transfers

There is a requirement for some supplementary budgets in 2021/22 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 £5,602,710 identified in Appendix 4 are approved and added to the 2021/22 budget. The supplementary budgets will be financed from Earmarked Reserves (£4,920,910), CIL (£326,000) and the General Fund working balance (£355,800).

Appendix 4 also lists proposed budget transfers which have been identified where budgets need to be transferred from one service area to another.

8.14 Outstanding Sundry Debt

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

| Age of Debt | March 2020 | March 2021 |
|-------------------------|-------------------|-------------------|
| Up to 29 days (current) | £2,399,454 | £1,075,975 |
| 30 days – 1 Year | £1,530,103 | £2,234,973 |
| 1 – 2 years | £451,358 | £1,249,353 |
| 2 – 3 years | £550,482 | £341,134 |
| 3 – 4 years | £276,837 | £208,302 |
| 4 – 5 years | £417,580 | £240,861 |
| 5 + years | £752,772 | £1,030,325 |
| Total | £6,378,586 | £6,380,923 |

8.15 Council Tax

As at 1 April 2021, arrears amounted to £4.114m, the movements during 2020/21 were as follows:

| | £m | £m |
|--|----------|--------------|
| Arrears as at 1 April 2020 | | 4.510 |
| Add: | | |
| 2020/21 debits raised net of discounts | 71.142 | |
| Less: | | |
| Payments received | (70.571) | |
| Refunds and change in pre-payments | 1.100 | |
| Write-offs | (0.101) | |
| Arrears as at 31 March 2021 | | 6.080 |

Against the arrears of £6.080m, a bad and doubtful debt provision of £2.220m has been provided, calculated in accordance with the appropriate accounting guidelines.

The 'In-Year' collection rate has decreased in comparison with the previous year. The collection rate for 2020/21 was 96.0% compared with 96.9% in 2019/20.

8.16 Debt Write-Offs

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

| | 2019/20 | 2020/21 |
|-------------------|------------|-----------|
| • Council Tax | £268,615 | £100,805 |
| • Business Rates | £1,924,524 | (£19,497) |
| • Sundry Debt | £36,552 | £37,336 |
| • Housing Rents | £74,727 | £61,893 |
| • Non-HRA Rents | £91,418 | £59,823 |
| • HB Overpayments | £153,310 | £194,205 |

8.17 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 97.82% for 2020/21 compared with 94.51% 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

Contact for enquires:

Democratic Services (Committees)

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