

## **REPORT TO EXECUTIVE**

Date of Meeting: 5 October 2021

## **REPORT TO COUNCIL**

Date of Meeting: 18 October 2021

Report of: Director Finance

Title: Overview of General Fund Revenue Budget 2021/22 – Quarter 1

### **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 2021/22 financial year after three months.

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

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

- i. The General Fund forecast financial position for the 2021 financial year;
- ii. The supplementary budgets as detailed in paragraph 8.10;
- iii. The outstanding Sundry Debt position as at June 2021; and
- iv. 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 8.9.

The General Fund Working Balance is projected to stand at £5.109 million at year end.

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

Although the Council is seeing a shortfall in income, particularly in car parks and Leisure, the action taken to set aside funds in an earmarked reserve, means there is not a significant impact on the General Fund Balance. The position will continue to be monitored, but at this stage it is expected that the amount set aside will be sufficient to manage the budget for this financial year.

## 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 example, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

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:

Members will note the comments of the Section 151 Officer and the action taken in order to ensure that the budget is balanced for this financial year.

## 8. Report details:

### Overview of General Fund Revenue Budget 2021/22

#### 8.1 Financial Summary

<b>FUND</b>	<b>Planned Transfer To / (From) Working Balance</b> £	<b>Budget Variance Over / (under)</b> £	<b>Outturn Transfer 2021/22</b> £
General Fund	(705,330)	(42,401)	(747,731)

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

The current forecasts show an overall projected overspend of £3,033,074 against a revised budget of £21,148,970. This includes supplementary budgets of £4,102,710 already agreed by Council (20 July 2021). Variances of more than +/- £30,000 are detailed below:

#### 8.3 **Chief Executive & Growth Director**

<b>Budget Heading</b>	<b>Over / (Underspend)</b>
<b>Affordable Housing Development</b>	<b>(£170,000)</b>
<b>Responsible Officer: Director Finance</b>	
This underspend is due to the budget for three ECL business cases not being fully utilised. It is likely that there will only be approximately £100,000 in spend this year therefore the remainder will be forecast as savings.	

#### 8.4 Communications, Culture and Leisure Facilities

Budget Heading	Over / (Underspend)
<b>Markets &amp; Halls</b>	<b>£170,462</b>
<p><b>Responsible Officer: Facilities &amp; Markets Manager</b>            This forecast overspend is due to the impact that the pandemic had on the Corn Exchange in 20/21 and how it affects business now restrictions have lifted. Activities have resumed but the recovery period is still uncertain and at this early stage of the year, this forecast will only be a tentative estimate.</p>	
<b>Leisure &amp; Sport</b>	<b>£451,642</b>
<p><b>Responsible Officer: Service Lead Communications, Tourism &amp; Culture</b>            The start of 21/22 has continued to set a challenge to our leisure and sport facilities. Covid 19 has seen three cycles of opening and shutting completely. Many of them (including Riverside, which only opened at the end of July) has just returned to 100% capacity and the end of pre booking sessions. TUPE is ongoing, vacancies and track and trace continues to impact centres and staffing. Northbrook temporarily closed to alleviate pressures. The completion of St Sidwell's Point remains obstructed by the impact of COVID and this will impact memberships and predicted income. However, there is cause for some cautious optimism - there is a fantastic offer, Riverside opened on time, TUPE will be completed, ECC's VAT issue has been resolved, vacancies will be filled, income from membership continues to rise and the public's confidence continues to build.</p>	
<b>Visitor Facilities</b>	<b>£40,652</b>
<p><b>Responsible Officer: Facilities &amp; Markets Manager</b>            This overspend is due to the impact of the temporary closure of the Underground Passages. This attraction was considered to carry too great a risk to the general public, due to enclosed spaces and the difficulty in implementing any social distancing. Those issues have now been worked through with Environmental Health, but a water ingress now prevents the passages from reopening. South West Water are investigating. It is hoped the passages will re-open in the near future.</p>	

8.5

#### Net Zero Exeter and City Management

Budget Heading	Over / (Underspend)
<b>Parking Services</b>	<b>£2,139,640</b>
<p><b>Responsible Officer: Service Lead – Engineering, Waterways &amp; Parking</b>            Parking income continues to be impacted by Covid 19. Income levels have improved since the start of the financial year with the removal of restrictions, but current projections are based on 75% for the remainder of the year as there is expected to be some long term impact on commuter parking. ECC will be claiming 75% of eligible net losses for the first quarter under the Sales, Fees and Charges compensation scheme, but this scheme has now finished.</p>	

<b>Domestic Refuse Collection</b>	<b>£30,330</b>
<p><b>Responsible Officer: Interim Waste, Recycling &amp; Fleet Manager</b></p> <p>Cleansing is struggling to recruit drivers given the current national shortage and this is causing significant difficulties in delivering services. A Job Evaluation exercise is in progress to more fairly reflect the requirements of the role and make it easier to retain and recruit drivers. This projected overspend is the estimated additional costs in the current financial year, which primarily fall within Domestic Refuse Collection.</p>	
<b>Cleansing Chargeable Services</b>	<b>£385,990</b>
<p><b>Responsible Officer: Interim Waste, Recycling &amp; Fleet Manager</b></p> <p>In order to balance the budget for 2021/22 trade waste income was increased on the assumption that additional contracts would be secured with big employers in the city. Progress has been delayed and, although the number of customers is increasing, there are no significant new contracts agreed at this stage.</p>	
<b>Cleansing Overheads</b>	<b>£31,750</b>
<p><b>Responsible Officer: Interim Waste, Recycling &amp; Fleet Manager</b></p> <p>Re-surfacing works are required at the Exton Road depot as a matter of urgency. The vehicle wash bund will also need to be replaced in the autumn, but this should remove the requirement for frequent and costly drain clearance.</p>	

## 8.6 Finance

<b>Budget Heading</b>	<b>Over / (Underspend)</b>
<b>Corporate Property – Assets</b>	<b>(£225,253)</b>
<p><b>Responsible Officer: City Surveyor</b></p> <p>A tentative forecast has been included based on the underspend in quarter one. However, this is an estimate only as it is difficult to predict out-turn at this early stage of the year in an area which does not have a linear pattern of spend. It is highly likely that the entire budget will be used therefore the underspend will decrease as the year progresses.</p>	
<b>Corporate</b>	<b>£34,503</b>
<p><b>Responsible Officer: Director of Finance</b></p> <p>This overspend is due to an increase in Audit fees that was not included in the 21/22 budget. The budget will be increased during the 22/23 budget setting process.</p>	

## 8.7 Corporate Services

Budget Heading	Over / (Underspend)
<b>Corporate Support</b>	<b>£100,000</b>
<b>Responsible Officer: Corporate Manager Democratic and Civic Support</b>	
The Civic Centre continues to lose rental income due to vacant units. Although there are savings elsewhere, this loss will continue until these are occupied. However, there are grounds for optimism, as the Corporate Manager has started receiving enquiries regarding these units and although nothing is definite, it may be that this overspend will reduce.	

## 8.8 Other Financial Variations

Budget Heading	Over / (Underspend)
<b>Net interest</b>	<b>£401,000</b>
The budgeted interest payable for 2021/22 anticipated that the Council would take out additional borrowings in the year, to finance a further loan to the wholly owned property development company; ECL. It is now anticipated that additional borrowings will not be required in 2021/22, therefore saving £490k of interest payable. The interest receivable for 2021/22 is anticipated to be £891k lower than budget. This is due to two key factors; the above mentioned loan to ECL will now not take place in 2021/22 and therefore the expected interest will not be receivable; and the Council is receiving significantly lower than expected interest on investments, investment interest rates still remain at record lows following the economic recession caused by the global pandemic.	
<b>Minimum Revenue Provision</b>	<b>(£390,616)</b>
The Council has provided fully for the vehicles it has leased, this has resulted in the reduction in minimum revenue provision. This will be an ongoing saving over the life of the medium term financial plan.	

## 8.9 General Fund Balance

In 2021/22 it is projected that there will be an overall net contribution from the General Fund Balance of £747,731. The minimum requirement for the General Fund working balance was approved by Council in February 2021 at £3 million.

Movement	2021/22
Opening Balance, as at 01/04/21	<b>£5,856,249</b>
Net	(£747,731)
<b>Projected Balance at Year End</b>	<b>£5,108,518</b>

## 8.10 Supplementary Budgets

It is proposed that the supplementary budgets identified in Appendix 3 are approved and added to the 2021/22 budget.

- £22,500 will need to be funded by the general fund and will reduce the working balance.
- The remaining requests are all self-financing and will have no impact on the projected General Fund working balance.

### 8.11 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	June 2021
Up to 29 days (current)	£2,399,454	£1,075,975	£2,325,475
30 days – 1 Year	£1,530,103	£2,234,973	£1,657,771
1 – 2 years	£451,358	£1,249,353	£1,036,692
2 – 3 years	£550,482	£341,134	£577,770
3 – 4 years	£276,837	£208,302	£206,928
4 – 5 years	£417,580	£240,861	£228,600
5 + years	£752,772	£1,030,325	£1,051,436
<b>Total</b>	<b>£6,378,586</b>	<b>£6,380,923</b>	<b>£7,084,672</b>

### 8.12 Debt Write-Offs

The following amounts have been written-off during 2021/22:

	2020/21 Total	2021/22 (Qtr 1)
• Council Tax	£100,805	£15,509
• Business Rates *	(£19,497)	£0
• Sundry Debt	£37,336	£0
• Housing Rents	£61,893	£17,040
• Non-HRA Rents	£59,823	£19,565
• HB Overpayments	£194,205	£19,267

\* Business Rate write offs dealt with annually

### 8.13 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 96.1% for the first three months of 2021/22 compared with 97.09% after the first three months of 2020/21.

## 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 2021/22.

## 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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