

REPORT TO EXECUTIVE

Date of Meeting: 30 November 2021

REPORT TO COUNCIL

Date of Meeting: 14 December 2021

Report of: Director Finance

Title: Overview of General Fund Revenue Budget 2021/22 – Quarter 2

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 six 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 2021 financial year;
- (2) the supplementary budgets as detailed in paragraph 8.11;
- (3) the outstanding Sundry Debt position as at September 2021; 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 8.10.

The General Fund Working Balance is projected to stand at £4.499 million at year end.

5. Section 151 Officer comments:

At the halfway stage of the year, the Council is on track to deliver its budget in line with projections at the start of the year. In terms of income losses as a result of the restrictions being lifted slowly, the projection is for a loss of £2.4 million, mainly in car parking, entertainment and visitor facilities. However significant projected underspends elsewhere have more than offset this. It is important that members note that some of these underspends are merely timing issues caused by either a lack of resources to

deliver or the current global pressures on supply chains. At year end, once the level of supplementary budgets are known, up to £2.4 million will be transferred from the earmarked reserve set up to protect against budget volatility. This will ensure that there is sufficient funding available for the supplementary budget requests.

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 2021/22 – Quarter 2

8.1 Financial Summary

FUND	Planned Transfer To / (From) Working Balance £	Budget Variance Over / (under) £	Outturn Transfer 2021/22 £
General Fund	(£745,720)	548,121	(197,599)

8.2 General Fund (Appendix 1 & Appendix 2)

The current forecasts show an overall projected service overspend of £385,932 against a revised budget of £21,189,360. This includes supplementary budgets of £5,143,100 already agreed by Council. Variances of more than +/- £30,000 are detailed below:

8.3 Chief Executive & Growth Director

Budget Heading	Over / (Underspend)
Affordable Housing Development	(£170,000)
Responsible Officer: Chief Executive & Growth Director	
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 City Development, Housing & Supporting People

Budget Heading	Over / (Underspend)
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Building Control & Land Charges	(£59,000)
Planning Services	(£439,620)
<p>Responsible Officer: Interim Service Lead for City Development</p> <p>Income from Land Charges has increased due to the stamp duty holiday resulting in increased property sales. Building Control income is also higher than budgeted levels due to an increase in home improvements and the construction industry in general. Any surplus from these services is transferred to a ring fenced reserve at year end.</p> <p>There have been a number of vacant posts within the planning service resulting in savings in pay costs. Planning fee income is higher than budgeted levels at the 6 month stage, this will be monitored closely for the remainder of the year.</p> <p>The local plan budget has been re-profiled in line with expenditure plans, it is estimated that £100k will now be spent in 2022/23 instead of the current year.</p> <p>Income collected in respect of habitats mitigation contributions from developers will be transferred to an earmarked reserve at the end of the year.</p>	
Organisational Change Programme	(£100,000)
<p>Responsible Officer: Deputy Chief Executive</p> <p>The budget has been re-profiled to reflect a three year programme, any underspend will be requested as a supplementary budget in 2022/23 and 2023/24.</p>	

8.5 Communications, Culture and Leisure Facilities

Budget Heading	Over / (Underspend)
Culture	(£159,112)
<p>Responsible Officer: Service Lead – Communications, Culture, Leisure & Tourism</p> <p>The budget of £106,490 for special events is unlikely to be utilised this year, which is the predominant reason for the underspend in this management unit. A grant of £50,000 has also been received which is expected to be used by year-end.</p>	
Markets & Halls	£101,072
<p>Responsible Officer: Facilities & Markets Manager</p> <p>The effects of the pandemic are still impacting events at the Corn Exchange. Although the stage events programme restarted in September, there is still public caution in attending live performances so ticket sales are down and some events are still being postponed or delayed. This loss of income is offset by cost savings, and other locations, such as the Matford Centre, are showing a healthy performance so far this year, but recovery is still uncertain and difficult to forecast.</p>	
Museum Service	(£270,560)

Responsible Officer: Museums Manager

The Museum is still being affected by the pandemic and like all cultural organisations, audiences still have to be rebuilt. Many activities, such as corporate events, are still not possible to hold and others, such as events and activities currently have attendance numbers curtailed as a covid safety measure. However, although these factors will continue to reduce revenue, the overall loss has been offset with material savings in supplies and services with a net loss of approximately £20,000 in revenue being forecast.

There are significant savings in other areas: £110,000 in salaries and staff costs. These savings are due to vacancies and are predominantly in the first six months, as there has been a robust recruitment drive. £175,000 of Arts Council funding was moved into 21/22 from 20/21, reflecting the reduced level of activity possible in the former year. It is still uncertain at this time whether any of this will be carried forward into 22/23.

There could also be material savings in non-domestic business rates. However the Valuation Office has still not made a decision as to whether the rateable value will decrease in 21/22 so the maximum amount is being forecast until a final figure is announced.

Visitor Facilities	£37,252
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Responsible Officer: Facilities & Markets Manager

The Underground Passages remain closed, due to water leakage. This is currently being investigated by Estates and South West Water so it is not yet known when this attraction will be able to reopen

Communications	(£130,080)
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Responsible Officer: Service Lead – Communications, Culture, Leisure & Tourism

This year continues to present challenges. The start of the year was slow, due to the initial lockdown then the gradual relaxation of guidelines, making it difficult to predict a recovery period or how quickly public confidence would return. The underspend is due to the reduced activity in the communications and marketing team, leading material underspends across supplies and services, although some income has started to come in (around £22,000) which could be a positive indication of a return to more normal levels of activity.

8.6 Net Zero Exeter and City Management

Budget Heading	Over / (Underspend)
Public Safety	£35,000

Responsible Officer: Service Lead – Engineering, Waterways & Parking

Home call income is lower than budgeted and we are engaging with a consultant to review our pricing structure to ensure we are comparable with other local authorities and improve take up of the service.

Parking Services	£1,987,130
<p>Responsible Officer: Service Lead – Engineering, Waterways & Parking</p> <p>Parking income was better than expected over the summer and achieved 98% of the budget in August so the shortfall has improved compared with the first quarter projection. However this has fallen again in September as we become reliant again on commuter parking and we continue to project 75% of the budget for the second half of the year.</p>	
Engineering	(£128,750)
<p>Responsible Officer: Service Lead – Engineering, Waterways & Parking</p> <p>The supplementary budget for the removal of North St footbridge is unlikely to be spent before the end of the financial year.</p>	
Cleansing Chargeable Services	£330,650
<p>Responsible Officer: Interim Waste, Recycling & Fleet Manager</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. However these losses are slightly offset by green waste exceeding expectations.</p>	
Recycling	(£174,890)
<p>Responsible Officer: Interim Waste, Recycling & Fleet Manager</p> <p>The budget for the year included the balance of the kerbside recycling service change revenue budget, however as we have been unable to recruit an officer to manage this process the roll out has been delayed and we will be seeking approval to carry this forward to 2022/23.</p>	

8.7 Finance

Budget Heading	Over / (Underspend)
Corporate Property – Major Projects	(£199,829)
<p>Responsible Officer: City Surveyor</p> <p>The three projects (Bus station wider site options, ECL property support and miscellaneous major projects) are funded through supplementary budgets included each year. At this point in the year, none of these projects have commenced due to scarcity of resources; however, any balance at year-end will be rolled forward into the 22/23 financial year budgets.</p>	
Corporate Property – Assets	(£316,019)

Responsible Officer: City Surveyor

The out-turn forecast on property maintenance continues to be difficult to forecast, due to the unpredictability of spend patterns. However, with winter approaching, it is likely that works will increase significantly therefore this underspend is not likely to increase significantly and may well decrease as the year progresses.

8.8 Corporate Services

Budget Heading	Over / (Underspend)
Legal Services	(£51,680)
Responsible Officer: Service Lead – Legal Services The surplus to budget forecast for year-end is almost entirely due to an increase in income, generated by work carried out for Exeter City Living and litigation support for South Hams council. It is hoped that these partnerships will continue to generate this income for the foreseeable future.	
Corporate Support	£165,354
Responsible Officer: Corporate Manager Democratic and Civic Support 2021/22 continues to be a challenging year. Empty units at the Civic Centre are still causing a deficit in rental income which is forecast to be £271,000 by year-end. This has been mitigated in some part by forecast savings in the Civic Centre itself (£57,000) and in the other areas of Corporate Support - £29,000 in the Corporate Support Unit and £18,000 in Mail. Although recovery has been slow, there is grounds for cautious optimism as enquiries to fill the vacant tenancies have started to be received, with a strong possibility that some may be filled by year-end.	

8.9 Other Financial Variations

Budget Heading	Over / (Underspend)
Net interest	£415,000
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.	
Minimum Revenue Provision	(£390,616)

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.

Sales, Fees & Charges Compensation	(£440,000)
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On 2 July 2020, 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 scheme has been extended to the first quarter of 2021/22 with the claim totalling £440k.

8.10 General Fund Balance

In 2021/22 it is projected that there will be an overall net contribution to the General Fund Balance of £2,007,401. 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	£4,696,282
Net	(£197,599)
Projected Balance at Year End	£4,498,683

8.11 Supplementary Budgets

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

- £224,000 is a budget reduction and will reduce the amount of Neighbourhood CIL required to fund expenditure;
- £5,000 will need to be funded by the general fund and will reduce the working balance; and
- The remaining requests are all self-financing and will have no impact on the projected General Fund working balance.

8.12 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	September 2021
Up to 29 days (current)	£2,399,454	£1,075,975	£1,653,977
30 days – 1 Year	£1,530,103	£2,234,973	£1,769,223
1 – 2 years	£451,358	£1,249,353	£1,217,317
2 – 3 years	£550,482	£341,134	£637,303
3 – 4 years	£276,837	£208,302	£245,593
4 – 5 years	£417,580	£240,861	£221,811
5 + years	£752,772	£1,030,325	£1,083,679

Total	£6,378,586	£6,380,923	£6,828,903
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8.13 Debt Write-Offs

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

	2020/21 Total	2021/22 (Qtr 2)
• Council Tax	£100,805	£57,730
• Business Rates *	(£19,497)	£0
• Sundry Debt	£37,336	£26,691
• Housing Rents	£61,893	£17,040
• Non-HRA Rents	£59,823	£19,565
• HB Overpayments	£194,205	£43,330

* Business Rate write offs dealt with annually

8.14 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 95.5% for the first six months of 2021/22 compared with 97.00% after the first six 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 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.

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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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