

REPORT TO EXECUTIVE

Date of Meeting: 4 April 2022

REPORT TO COUNCIL

Date of Meeting: 19 April 2022

Report of: Director Finance

Title: Overview of General Fund Revenue Budget 2021/22 – 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 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 8.12;
- (3) The outstanding Sundry Debt position as at December 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 £4.645 million at year end.

5. Section 151 Officer comments:

The overall projection for the General Fund is positive, however Members must note that there will be a number of supplementary budget requests. At this stage it is expected that they will be within the amount available and not add further pressure. The budget volatility earmarked reserve will be used this year to offset income reductions mainly in Car Parking and the Civic Centre, but there will be sufficient available to support the 2022/23 budget.

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. Members have 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 legal issues for the Monitoring Officer but obviously highlights some areas of budgetary pressure.

8. Report details:

Overview of General Fund Revenue Budget 2021/22 – Quarter 3

8.1 Financial Summary

FUND	Planned Transfer To / (From) Working Balance £	Budget Variance Over / (under) £	Outturn Transfer 2021/22 £
General Fund	(732,830)	681,540	(51,290)

8.2 General Fund (Appendix 1 & Appendix 2)

The current forecasts show an overall projected service underspend of £683,253 against a revised budget of £21,452,470. This includes supplementary budgets of £5,406,210 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	(£173,656)

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 has been forecast as savings.

8.4 Transformation

Budget Heading	Over / (Underspend)
Exeter Community Grants Programme	(£42,000)
<p>Responsible Officer: Active & Healthy People Programme Lead</p> <p>There will be an end of year forecasted underspend of £42k against the Community Grants programme. This is as a result of community groups, charities and the voluntary sector taking time to have the confidence and capacity to stand back up projects, events and initiatives in communities following COVID-19 restrictions and uncertainty. The 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 & Supporting People

Budget Heading	Over / (Underspend)
Building Control & Land Charges	(£79,000)
Planning Services	(£448,560)
<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>	
Liveable Exeter Garden City	(£470,000)
<p>New grant funding has been received that will be transferred into an earmarked reserve and spent in the new financial year.</p>	
Organisational Change Programme	(£150,000)
<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>	

8.6 Communications, Culture and Leisure Facilities

Budget Heading	Over / (Underspend)
Culture	(£210,720)
<p>Responsible Officer: Service Lead – Communications, Culture, Leisure & Tourism</p> <p>The effect of the pandemic is still being felt in the volume of activity that is being carried out across the arts, tourism and communications budgets. Planning for 21/22 was difficult as it was unclear at the time what restrictions would be in place or if there were going to be any further lockdowns. Therefore, the volume of activity has been reduced in comparison to a normal year which is reflected in the under-spend. The £100,000 supplementary budget for special events has not been utilised this year and there will be an estimated saving of £49,000 against other costs. It has also been a quiet year in issuing arts and entertainment grants, with a saving of £65,000 anticipated.</p>	
Museum Service	(£119,889)
<p>Responsible Officer: Service Lead – Museums Manager</p> <p>The under-spend is due to staff savings over this challenging year at the Museum, including the reduced activity that relies on casual staff. However, this saving has been used to offset the loss in income at RAMM and the RAMM shop; with public confidence not yet fully restored, RAMM is only experiencing about 50% of normal footfall. There may still be some significant savings in the annual rates but the matter has still not been resolved with the Valuation Office so a decision on how to proceed will be made at year-end.</p>	
Leisure & Sport	£270,920
<p>Responsible Officer: Service Lead – Communications, Culture, Leisure & Tourism</p> <p>Covid-19 has still had a significant impact on the leisure industry, with part of the year on lockdown and a slow recovery of public confidence. However, the delay in opening St Sidwells Point has contributed the most to this budget being overspent; targets had been set on the assumption that it would be open from September 2021. The savings across the wider service has offset this loss, reducing the impact to the general fund.</p>	
St Sidwells Point	(£59,850)
<p>Responsible Officer: Service Lead – Communications, Culture, Leisure & Tourism</p> <p>This budget will not be used this year; however, there may be some additional costs in regards to St Sidwell's Point that may arise next year therefore this supplementary budget will be requested again</p>	

Communications**(£115,289)****Responsible Officer: Service Lead – Communications, Culture, Leisure & Tourism**

As with Arts & Events, it has been a quiet year for communications, with reduced spend in areas of public relations, marketing and the outsourcing of design work. This has led to a forecasted underspend of £27,000 in supplies and services. However, advertising income is expected to exceed budget by £25,000 and additional income of £49,796 has been received from Devon County Council. This is ECC's share of Clear Channel advertising revenue – it was expected but the timing was uncertain. There has also been no staff award ceremony, which gives a further saving of £10,000. 22/23 is expecting to be a much busier year so savings are anticipated to be much reduced.

8.7 Net Zero Exeter and City Management

Budget Heading	Over / (Underspend)
Public Safety	£49,600
<p>Responsible Officer: Engineering, Waterways & Parking Service Manager</p> <p>Home call income continues to fall against the budgets due to increased competition and alternatives offered by other providers.</p>	
Parking Services	£1,622,470
<p>Responsible Officer: Engineering, Waterways & Parking Service Manager</p> <p>Parking income to the end of December has achieved 83% of the profiled budget. We originally assumed that we would receive 75% of the budgeted income, so the projected overspend against budget has improved on Quarter 2. In Quarter 4 we traditionally rely on commuter parking income and early indications show that income is down, no doubt partly due to the omicron variant, so we remain prudent in our full year projections.</p>	
Engineering	(£249,450)
<p>Responsible Officer: Engineering, Waterways & Parking Service Manager</p> <p>The supplementary budgets for the removal of North St footbridge and works at Bull Meadow are unlikely to be spent before the end of the financial year, and we will request that these be carried forward to 22/23.</p>	
Cleansing Chargeable Services	£329,430
<p>Responsible Officer: Interim Waste, Recycling & Fleet Manager</p> <p>There has been little change to the projected variance reported in Quarter 2 - In order to balance the budget for 2021/22 trade waste income was increased in anticipation of securing additional contracts in the city. These losses are partly offset by green waste exceeding expectations. As for domestic waste there have been significant pressures in service delivery due to the ongoing pandemic but this has had minimal impact on domestic and trade refuse and recycling collections. The additional costs of retaining qualified drivers have been offset within the service.</p>	
Recycling	(£174,890)
<p>Responsible Officer: Interim Waste, Recycling & Fleet Manager</p> <p>The balance of the £200,000 kerbside recycling service change revenue budget is included in the 21/22 budget, but most of this will be spent in 22/23 and 23/24 with the appointment of a Recycling Officer and roll out of food waste collection across the city.</p>	

8.8 Finance

Budget Heading	Over / (Underspend)
Major Projects	(£350,981)
<p>Responsible Officer: City Surveyor</p> <p>The underspend is due to various supplementary budgets not being utilised in-year due to lack of resources; these budgets are for major projects, ECL property support and most of the budget for the bus station wider site options project.</p>	
Corporate Property - Estates	£101,829
<p>Responsible Officer: City Surveyor</p> <p>This year has continued to be challenging and the impact of Covid has impacted significantly on rent streams dependent on occupancy rates in the hospitality industry. This has resulted in a shortfall in income expectations from the Southgate Hotel of £162,000. Other bad debt provisions have been debited against several other properties including £60,000 in Cowick Street and smaller amounts elsewhere. This has been mitigated by bad debt reversal of £40,000, a saving of £31,000 in Estate Services due to in-year vacancies and the supplementary budget for the Corporate Asset Challenge not being used. In regards to bad debt provision, it should be noted that a more extensive exercise is carried out at year-end to accurately calculate the bad debt therefore the overall loss may change materially at the end of quarter four.</p>	
Corporate Property – Assets	(£276,848)
<p>Responsible Officer: City Surveyor</p> <p>The majority of this underspend is a £200,000 saving in the property maintenance budget. There has also been material savings in salaries due to one vacancy and a reduction in hours against budget and £14,000 of staff cost is transferred to the ERDF project to be capitalised.</p>	
Corporate	£44,311
<p>Responsible Officer: Director, Finance</p> <p>An increase in core audit fees are partly responsible for this overspend; the budget has been increased in 22/23 to address this. A one-off Public Works Loan Board fee of £15,400 has also been incurred this year.</p>	

8.9 Corporate Services

Budget Heading	Over / (Underspend)
Human Resources	(£87,299)
<p>Responsible Officer: Service Lead, Human Resources</p> <p>The underspend is predominantly due to the training budget being under-utilised in the year; this trend is not expected to continue in the new financial year</p>	
Legal Services	(£65,762)
<p>Responsible Officer: Service Lead, Legal Services</p> <p>21/22 has been a productive year for the Legal team with a successful implementation of their new business plan, resulting in the creation of additional revenue streams and income surplus to budget. This success is anticipated to continue into the new financial year, allowing them to recruit additional resources to ensure this level of performance can be maintained.</p>	
Elections & Electoral Registration	(£49,251)
<p>Responsible Officer: Service Lead, Democratic/Civic Support</p> <p>This underspend is due to the change in the process of electoral registration which impacts the associated costs. Less door-to-door canvassing is required, resulting in a £30,000 saving in temporary staff; the rest is the reduction in other expenses, such as postage and stationery. The City Council elections held in May 2021 were combined with elections for Devon County Council and the Police & Crime Commissioner, meaning that costs were shared between the elections. This led to an overall decrease in the costs for the ECC elections.</p>	
Corporate Support	£155,496
<p>Responsible Officer: Service Lead, Democratic/Civic Support</p> <p>Many units in the Civic Centre are still vacant leading to a significant reduction in the income received, roughly £260,000. This has been offset with material reductions in other areas due to the pandemic such as stamps and postage, utilities and other supplies and services; there is also a £22,000 forecasted savings in staff. There is some optimism that the rent income situation will improve, with potential tenants showing an interest; however, this will not materially affect this financial year.</p>	

8.10 Other Financial Variations

Budget Heading	Over / (Underspend)
Net interest	£609,000
<p>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.</p> <p>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.</p>	
Minimum Revenue Provision	(£390,616)
<p>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.</p>	
Sales, Fees & Charges Compensation	(£440,000)
<p>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.</p>	

8.11 General Fund Balance

In 2021/22 it is projected that there will be an overall net contribution from the General Fund Balance of £51,290. 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	(£51,290)
Projected Balance at Year End	£4,644,992

8.12 Supplementary Budgets

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

- The depreciation adjustment will have no impact on the projected General Fund working balance.
- The remaining requests are all self-financing and 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.

Age of Debt	March 2020	March 2021	December 2021
Up to 29 days (current)	£2,399,454	£1,075,975	£1,208,542
30 days – 1 Year	£1,530,103	£2,234,973	£2,561,413
1 – 2 years	£451,358	£1,249,353	£502,120
2 – 3 years	£550,482	£341,134	£615,185
3 – 4 years	£276,837	£208,302	£301,666
4 – 5 years	£417,580	£240,861	£191,457
5 + years	£752,772	£1,030,325	£1,127,924
Total	£6,378,586	£6,380,923	£6,508,307

8.14 Debt Write-Offs

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

	2020/21 Total	2021/22 (Qtr 3)
• Council Tax	£100,805	£209,085
• Business Rates *	(£19,497)	£0
• Sundry Debt	£37,336	£29,078
• Housing Rents	£61,893	£73,966
• Non-HRA Rents	£59,823	£95,743
• HB Overpayments	£194,205	£81,528

* 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 92.93% for the first nine months of 2021/22 compared with 97.66% after the first nine 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.

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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