

## **REPORT TO EXECUTIVE**

Date of Meeting: 4 October 2022

## **REPORT TO COUNCIL**

Date of Meeting: 18 October 2022

Report of: Director Finance

Title: Overview of General Fund Revenue Budget 2022/23 – 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 2022/23 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):

- (1) The General Fund forecast financial position for the 2022 financial year;
- (2) The supplementary budgets as detailed in paragraph 8.12;
- (3) The outstanding Sundry Debt position as at June 2022;
- (4) The creditors payments performance; and
- (5) The One Exeter programme update

#### **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 £2.465 million at year end.

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

The report suggests that the General Fund is on track; however, this is only down to the fact that Council approved an earmarked reserve to protect itself against financial volatility. The report proposes using some £2m of that reserve in order to ensure that the General Fund working balance remains above the minimum level. The impact of the pay offer made to staff is some £1.5m more than the Council budgeted and that, along with

significant price increases and energy costs mean that the Council's budget is precarious. The work currently underway (and referred to in the report) on One Exeter is now critical to restoring the financial health of the Council. The earmarked reserve can only be spent once and this must now be replaced by reductions to the Council's expenditure. The Government's support on energy is actually set at a higher rate than the Council has secured its energy for over the next six months, but even the rate we have secured is some 44% higher than we were previously paying.

## 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:

This report raises no issues for the Monitoring Officer.

## 8. Report details:

### Overview of General Fund Revenue Budget 2022/23

#### 8.1 Financial Summary

FUND	Planned Transfer To / (From) Working Balance £	Budget Variance Over / (under) £	Outturn Transfer 2022/23 £
General Fund	(915,600)	(99,726)	(1,015,326)

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

The current forecasts show an overall projected overspend of £1,795,506 against a revised budget of £19,846,560. This includes supplementary budgets of £4,391,610 already agreed by Council (19 July 2022). Variances of more than +/- £30,000 are detailed below:

#### 8.3 Chief Executive & Growth Director

Budget Heading	Over / (Underspend)
Affordable Housing Development	(£103,384)

**Responsible Officer: Chief Executive**

Two of the three business cases that this budget was to be used for will not be started this year.

**8.4 Housing and Supporting People**

Budget Heading	Over / (Underspend)
Housing Needs and Homelessness	£50,000
<b>Responsible Officer: Service Lead, Housing Needs &amp; Homelessness</b> The financial impact of the pay offer of £1,925 across all grades is likely to cause overspends on salary budgets.	

**8.5 City Development**

Budget Heading	Over / (Underspend)
Planning Services	£50,000
<b>Responsible Officer: Service Lead, Housing Needs &amp; Homelessness</b> The financial impact of the pay offer of £1,925 across all grades is likely to cause overspends on salary budgets.	

**8.6 Communications, Culture and Leisure Facilities**

Budget Heading	Over / (Underspend)
Markets & Halls	(£78,418)
<b>Responsible Officer: Facilities &amp; Markets Manager</b> The first quarter of 22/23 has been busy at the Matford Centre, with the livestock market continuing to thrive and grow. We are forecasting above budget income from the auctioneers and car parking. However, with the impact of rising inflation and living costs yet to become apparent, forecasting should be approached with caution until further into the year	
Leisure & Sport	£300,000
<b>Responsible Officer: Director - Communications, Culture &amp; Leisure</b> The new financial year started positively, with the extremely successful opening of St Sidwell's Point at the end of April – unfortunately though missing a full month of trading whilst having full establishment costs.  Since then, memberships have continued to rise ahead of target and footfall volume has increased, indicating the public has regained its confidence post-pandemic, despite	

infection rates periodically spiking. In addition, centres have seen higher casual use than anticipated, and also yield.

The skills crisis has led to operational difficulties and temporary working arrangements this quarter. These have been mitigated despite other leisure providers seeing an inability to operate in key trading times. This makes forward planning of a new centre hard to predict – especially against figures predicted before SSP was open. The cost of living crisis and pending recession impact our forecasts on a weekly basis.

At this stage of the financial year the dynamics involved have created a unique situation where the service could be close to breaking even, through to £500,000 over. So at this stage we would rather suggest prudent forecasting on the side of fortune at £300,000.

November will see a full outline strategy for the next three years to give elected Members the full picture. This will include a review of wet, dry and commercial opportunities, revised establishment costs, capital improvement plan, capital covid settlement and SSP total fit out and spend.

<b>Communications</b>	<b>(£60,735)</b>
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**Responsible Officer: Service Lead – Communications, Tourism & Culture**

This underspend is due to two factors. Firstly, there is one vacancy in the establishment due to a secondment to Leisure & Sport; the decision to backfill this role has yet to be made and the post will unlikely to be filled before January 2023. Secondly, advertising revenue has been strong in the first quarter of 22/23, as pre-lockdown activity levels resume. However, with the current economic challenges, it is hard to predict if this trend will continue.

## 8.7 Net Zero Exeter and City Management

<b>Budget Heading</b>	<b>Over / (Underspend)</b>
<b>Domestic Waste Collection</b>	<b>(£273,630)</b>

**Responsible Officer: Service Lead – Waste, Recycling & Fleet**

The service continues to struggle to recruit and this has caused operational difficulties. This has delayed the roll out of the food waste so there will be savings in the year due to vacancies and vehicles not yet being leased. These savings will more than offset the impact of the pay offer.

<b>Waste Chargeable Services</b>	<b>£514,440</b>
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**Responsible Officer: Service Lead – Waste, Recycling & Fleet**

As reported in previous years there is a shortfall in the trade waste income budget which it was hoped would be addressed by securing new agreements. The service makes a surplus having recovered well since the pandemic and has secured new and

<p>extended existing high profile contracts. However there is an ongoing shortfall against the income target.</p> <p>The difficulties with recruitment and retention of staff have also had an impact on the projected surplus from green waste. Collections were discontinued over the summer due to a shortage of drivers, so there will be a reduction in income for 22/23 as renewals are delayed to reflect the break in service.</p>	
<b>Recycling and MRF</b>	<b>£77,790</b>
<p><b>Responsible Officer: Service Lead – Waste, Recycling &amp; Fleet</b></p> <p>The financial impact of the pay offer of £1,925 across all grades is likely to cause overspends on salary budgets as the facility needs a full complement of staff to run efficiently.</p>	
<b>Public Safety</b>	<b>£99,090</b>
<p><b>Responsible Officer: Service Lead – Engineering, Waterways &amp; Parking</b></p> <p>Home call income continues to fall short of the budget given the increasing number of alternatives available and provision across Devon. This has been partly offset by vacancies within the Enforcement and CCTV Officers.</p>	
<b>Parking Services</b>	<b>£1,087,710</b>
<p><b>Responsible Officer: Service Lead – Engineering, Waterways &amp; Parking</b></p> <p>Parking fees and charges were at 98% of the budget profile at the end of July, however as there are so many variables impacting on income levels it is prudent to assume 90% for the year as a whole. Season ticket income has been affected with changes in demand from commuters and is expected to reduce by almost half compared with pre-Covid budgets. The financial impact of the pay offer is likely to cause overspends on salary budgets.</p>	
<b>Waterways</b>	<b>£77,250</b>
<p><b>Responsible Officer: Service Lead – Engineering, Waterways &amp; Parking</b></p> <p>£44k of income was incorrectly accrued for at 21/22 year end. The service will also be impacted by the pay offer as there are no compensating vacancies and agency cover is required for any staff absence.</p>	

## 8.8 Finance

<b>Budget Heading</b>	<b>Over / (Underspend)</b>
<b>Corporate Property – Assets</b>	<b>(£231,118)</b>
<p><b>Responsible Officer: City Surveyor</b></p> <p>This figure is primarily due to the forecast underspend in Property Maintenance. However, this is only an estimate and will be refined throughout the year as maintenance requirements are assessed. There are also vacancies and reduced hours savings within the Assets team, which will be taken into consideration as part of the restructure proposal currently being worked on</p>	

## 8.9 Corporate Services

Budget Heading	Over / (Underspend)
<b>Corporate Support</b>	<b>177,220</b>
<p><b>Responsible Officer: Service Lead – Democratic Support</b></p> <p>The empty offices in the Civic Centre have continued to reduce the income that has been budgeted in 22/23. Although this has been mitigated slightly by income from the telecommunications mast plus small savings in supplies and services, the situation is likely to remain unchanged for the foreseeable future as Covid continues to have an impact on working practices.</p>	

## 8.10 Other Financial Variations

Budget Heading	Over / (Underspend)
<b>Net interest</b>	<b>£265,250</b>
<p>The budgeted interest payable for 2022/23 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 2022/23. However, this also means that the expected interest from ECL will not be receivable.</p>	

## 8.11 General Fund Balance

In 2022/23, it is projected that there will be an overall net contribution from the General Fund Balance of £1,015,326, leaving a balance of £4,507,247. This remains above the minimum requirement for the General Fund working balance, which was approved by Council in February 2022 at £3 million.

Movement	2022/23
Opening Balance, as at 01/04/22	<b>£5,522,573</b>
Net	(£1,015,326)
<b>Projected Balance at Year End</b>	<b>£4,507,247</b>

## 8.12 Supplementary Budgets

It is proposed that the supplementary budgets identified in Appendix 3 are approved and added to the 2022/23 budget. The requests are all self-financing or funded by an earmarked reserve 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 2021	March 2022	June 2022
Up to 29 days (current)	£2,399,454	£1,154,547	£1,352,079
30 days – 1 Year	£1,530,103	£2,129,058	£2,527,095
1 – 2 years	£451,358	£387,330	£438,681
2 – 3 years	£550,482	£623,164	£465,381
3 – 4 years	£276,837	£280,899	£502,901
4 – 5 years	£417,580	£180,759	£173,666
5 + years	£752,772	£1,136,701	£1,159,604
<b>Total</b>	<b>£6,378,586</b>	<b>£5,892,458</b>	<b>£6,619,407</b>

#### 8.14 Debt Write-Offs

The following amounts have been written-off during 2022/23:

	2021/22 Total	2022/23 (Qtr 1)
• Council Tax	£251,786	£62,128
• Business Rates *	(£4,273)	£0
• Sundry Debt	£36,402	£1,767
• Housing Rents	£86,948	£23,093
• Non-HRA Rents	£111,991	£20,613
• HB Overpayments	£150,304	£4,895

\* 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 98.6% for the first three months of 2022/23 compared with 96.1% after the first three months of 2021/22.

### 9. One Exeter Update

As Members will be aware, One Exeter is the Council's transformation programme and is a critical priority for the council.

The Programme aims to make better use of the skills and resources we have, enable us to provide more cost efficient and joined up services and crucially, support the delivery of cost reductions that need to be made by April 2027. Transforming the way we work, including putting the customer at the centre of how we plan and deliver our services and supporting and developing our staff will ensure that we are a fit for purpose council.

A detailed programme of work has been developed to deliver this work which is focussed around seven work streams:

Work Stream	Area	Details
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1	Leisure Service Review	Leisure Services to be redesigned to be cost neutral
2	Target Operating Model/Service Costs	To include Organisational Change, options for the size, shape and grouping together of our services, cessation/reduction in discretionary services and review of statutory and support services
3	Technical Accounting	Review of charges from the General Fund
4	Corporate Property	Asset disposal and management/potential additional income and review of Asset Improvement and Maintenance costs
5	Seek external funding	Seek funding from ring fenced and externally funded services
6	Staff Costs	Consideration of new working patterns
7	Income	To include commercialisation, return from borrowing and car parking income

A report was presented to Executive in February 2022 which set out how the council would reduce the budget for 2022/23 by £1.3 million. Appendix 5 sets out how the Council is performing against the 2022/23 approved budget reductions and whether the reductions are likely to be fully realised. As at Quarter 1, it is forecast that £36k of the £1.3m prediction will not be achieved.

In addition to the £1.3m identified for 2022/23, there is a further requirement to identify an additional £6.6m between 2023/24 to 2026/27. This amount includes the expected impact of the pay award and takes account of the increased financial pressures resulting from high inflation rates. Appendix 6 sets out progress against the seven work streams and assessed risk status.

## 10. 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 2022/23.

## 11. 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.

## **12. 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.

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

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

## **14. 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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