

REPORT TO EXECUTIVE

Date of Meeting: 1 October 2024

REPORT TO COUNCIL

Date of Meeting: 15 October 2024

Report of: Strategic Director for Corporate Resources

Title: Overview of General Fund Revenue Budget 2024/25 – Quarter 1

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To advise Members of the overall financial position of the General Fund Revenue Budgets for the 2024/25 financial year after three months.

2. Recommendations:

2.1 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 2024 financial year;
- (2) The supplementary budgets and budget transfers as detailed in paragraph 8.11 and Appendix 3;
- (3) The outstanding Sundry Debt position as at June 2024;
- (4) The creditors payments performance; and
- (5) The One Exeter programme update

3. Reasons for the recommendation:

3.1 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?

4.1 The impact on the General Fund working balance is set out in section 8.10.

4.2 The General Fund Working Balance is projected to stand at £3.739 million at year end.

5. Section 151 Officer comments:

5.1 Whilst in overall terms, the Council is projecting a reduction in the take from the General Fund Balance, there are some areas of pressure in the General Fund budget, which Officers and Members must continue to monitor. These are set out in the report. Given the changes in the Council, work is being undertaken to align the reporting with the new management structure in time for the second quarter.

6. What are the legal aspects?

6.1 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.

6.2 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:

7.1 The purpose of this report is to advise Members of the overall financial position of the General Fund Revenue Budgets for the 2024/25 financial year after three months. Members will note the statutory duty imposed on the Council to monitor expenditure and income against the budget calculations as set out in the legal aspects above.

8. Report details:

Overview of General Fund Revenue Budget 2024/25 – Quarter 1

8.1 Financial Summary

FUND	Planned Transfer To / (From) Working Balance £	Budget Variance (More) / Less £	Outturn Transfer 2024/25 £
General Fund	(2,812,491)	669,066	(2,143,425)

8.2 General Fund (Appendix 1 & Appendix 2)

The current forecasts show an overall projected underspend of £866,870 against a revised budget of £22,986,640. This includes supplementary budgets of £6,235,860 already agreed by Council. Variances of more than +/- £30,000 are detailed below:

8.3 Chief Executive

Budget Heading	Over / (Underspend)
Strategic Management	(£232,440)
<p>Responsible Officer: Strategic Director – Corporate Resources</p> <p>This underspend is due to the recent senior leadership restructure, resulting in a reduction in the number of directors. One post (Strategic Director – Community) is currently vacant and is being covered by two interim Directors; these costs will reduce this underspend in future quarters.</p>	

8.4 City Development

Budget Heading	Over / (Underspend)
Housing Needs and Homelessness	£350,000
<p>Responsible Officer: Service Lead, Housing Needs & Homelessness</p> <p>Exeter has seen a 25% increase in budgeted costs for temporary accommodation (TA) in the last quarter due to increased homelessness including rough sleeping.</p> <p>Nationally the number of households in TA has increased by 89% in the last 10 years. Rough sleeper numbers alone have risen by 27% nationally in the last 12 months. The vast majority of LHAs are reporting between 35% to 40% increases in TA costs over the 12 months ending March 2023.</p> <p>As a result of the city’s commitment to developing its homelessness supported housing resource the Council’s increase in demand for TA is below the national average. However, this new demand forecasts an additional net cost of approximately £137k. The relocation of 16 units a local B&B used for ECC TA to a contracted city centre hotel has also temporarily increased net costs by an estimated £160k for the year due to higher room prices and enhanced security need.</p> <p>Further increased spends are forecast on the leased property budgets being used to accommodate increased demand for TA. This is due to net costs in respect of leases, housing management and security. The former night shelter premises is also forecast to overspend due to rental income ceasing when the project was decanted and mothballed at the end of May due to operational issues and the need to prepare for hand-back of the lease. The lease is currently being re-negotiated to establish a rent-reduction in preparation for winter use. It is anticipated that these costs will be met through the provision of supplementary central govt grants. In recent years these have been provided for winter rough sleeping, RSI, and homelessness prevention. At this stage grants have not yet been confirmed but are anticipated to be in the region of £200k.</p> <p>A new 12-bed TA property on long lease to the Council is scheduled to be fully operational by 1st November which will help reduce the use of high-cost commercial hotels. An additional 8-bed property is targeted to be operational by 1 April 2025. Both these measures along with substantive cost reductions scheduled for all leased TA properties due to be procured onto a long-leasing regime should lead to a sustained reduction in net cost to the Council from 2025/26 onwards.</p>	

Planning	£0
<p>Responsible Officer: Service Lead, City Development</p> <p>Although the overall forecast variance is zero this is made up of two large variances:</p> <p>There is a forecast reduction in fee income of £250,000, this can be attributed primarily to a decline in the overall number of planning applications submitted. In the 2022/23 financial year, we processed 1,482 applications, whereas in 2023/24, this number decreased to 1,289, representing a reduction of approximately 13%. Notably, householder applications, which we receive more than any other type, have dropped from 403 to 311 during this period. This decrease in application volume, particularly in the householder category, has offset the increase in planning fees, leading to a net reduction in overall fee income. The reduction in application numbers is likely influenced by broader economic factors, including the current economic uncertainty and the cost-of-living crisis. Rising interest rates and inflation have created a more challenging financial environment, making both developers and homeowners more cautious about investing in new projects. Additionally, the increased costs of materials, labour, and energy have likely deterred many from pursuing home improvements or new developments. This economic climate, coupled with a slowdown in the housing market, where property values and demand have become more uncertain, may have led to a decrease in planning applications as potential applicants delay or reconsider their plans.</p> <p>The timetable for the Exeter Plan continues to respond to complex consultation responses, evidence requirements and national planning policy reforms meaning the projects is extending into multiple financial years. Significant evidence has been commissioned which continues to support the Exeter Plan, although the project is likely to be underspent by £250,000 in 2024/25. A supplementary budget will be requested for 2025/26 when the plan is scheduled to go through its examination and substantial costs will be incurred.</p>	

8.5 Communications, Culture and Leisure Facilities

Budget Heading	Over / (Underspend)
Markets & Halls	(£44,080)
<p>Responsible Officer: Facilities & Markets Manager</p> <p>The three areas within Markets & Halls (The Matford Centre, Markets and The Corn Exchange) have had a strong start to the year, with all three forecasting savings by year-end, in the areas of salaries and increased income - these savings are £89.2k, £4.6k and £60k respectively. However, this total has been materially reduced by the forecast loss of solar panel electricity income at the Matford Centre. This loss is predominantly due to the fall in market prices of exported energy and poor weather conditions in comparison to last year; however, there are also some delays in the repair of damages to the array which is hampering the operation of the panels. This will be continuously monitored and the loss may be reduced the further into the financial year we go.</p>	
Museum Services	(£172,510)

Responsible Officers: Museum Services – Co-Leadership Team

The underspend in Museum Services is predominantly due to savings made against the utilities budgets. A consultant has been employed to carry out an efficiency review, to help identify defunct environmental systems and improve those that are in continuous use. Last year, this work reduced unit volume in both gas and electricity, equating to a cost saving of £59k. This work will continue until April 2025 and the savings used to offset the cost of the consultant and the associated expenditure needed to achieve further substantial efficiencies.

The underspend in RAMM has, however, been reduced by the shop forecast to be £45k overspent. Generating income from sales continues to be a challenge, with the roof work nearing completion, this should have a positive impact on retail income but predominantly in areas such as corporate hire and events. The future of the café is still in question, with the lease going out to tender shortly, so there are still significant challenges facing Museum Services in the coming year.

Leisure & Sport

(£129,000)

Responsible Officer (Interim): Head of Service – Culture

Leisure have had a strong start to the year, with centres continuing to operate at maximum capacity. Savings of £187k are expected to be made in salaries, which are vacancies offset by the need for casual staff, increased hours etc. Leisure is on an active recruitment campaign with several new staff hopefully starting in the future – it is therefore likely this saving will change as the year progresses.

Supplies & services are forecast to make a saving of £71.4k and in addition, income is forecast to exceed budget by £154.4k. However, these positive variances have been offset by the estate still having to bear the costs for premises' maintenance, the cost of which is hard to forecast. This overspend is offset with a saving against the Assets Maintenance cost centre and assumes that the Assets team restructure will not be completed by year-end. Therefore, a £200,000 underspend has been reported in Corporate Property and an overspend in Leisure & Sport; again, this will be monitored throughout the course of the year and adjusted as necessary.

8.6 Net Zero Exeter and City Management

Budget Heading	Over / (Underspend)
Environmental Protection	(£304,610)
Responsible Officer: Service Lead – Environmental Health & Community Safety	
Vacancies within the Neighbourhood and Environmental Quality Teams are proving difficult to fill with a forecast of £175,000 across the Management Unit. Another year of higher-than-expected funding for Disabled Facilities Grants has also increased the administrative burden rechargeable to the grant allocation above budgeted levels by £65,000 whilst Monitoring Private Housing income continues to out-perform the budget by £50,000.	
Licensing, Food, Health & Safety	£123,770

Responsible Officer: Service Lead – Environmental Health & Community Safety

Home Call income continues to be the main issue within this Management Unit due to an unrealistic income target continuing to be set. Despite recent marketing campaigns generating new customers, sadly, valued service users have passed away which means that numbers have remained static, with income continuing to fall short of budget by some £123,000. In addition, the service is trying to mitigate the shortfall in Home Call income with new CCTV Monitoring contracts. Non-contractual overtime is currently high to maintain minimum operational staffing levels which is forecast to be some £42,000 over budget at year end, but this is presently being managed through vacancies within the Management Unit.

Domestic Waste Collection**(£338,530)****Responsible Officer: Service Lead – Waste, Recycling & Fleet**

The service has suffered continuing operational difficulties as it struggles to recruit. In addition, there is a delay to further roll out of the doorstep food waste programme until the construction of the food waste bay, so there will be savings in the year due to vacancies and vehicles not yet being leased. These savings will more than offset the income the service is unable to claim from DCC's Share Scheme saving fund, to which we have no eligibility until the scheme achieves 100% coverage. The spend on agency staff is expected to reduce by £50,000 from last year's outturn of just under £300,000.

Engineering Services**(£307,420)****Responsible Officer: Service Lead – Public and Green Space**

The team have had some success in recruiting to the vacancies seen over previous years and can continue to look forward to pursuing both revenue and capital schemes more actively as a result. There remain a number of vacancies which have been difficult to fill, where an underspend of £130,000 is predicted after allowing for the possible pay offer costing. The Waterways Engineer post, funded for a 3-year period from historic vacancy underspending, is proposed to be transferred to the Waterways team in a transfer request at Appendix 3 which would move £80,000 of the current underspend to that service. The use of sub-contractors across the service remains subdued with a forecast underspend of £86,000. Funding relating to the proposed demolition of an over-bridge is hoped not to be required.

Waterways**£69,340****Responsible Officer: Service Lead – Harbour Master**

The Exeter Port Authority operates a mooring repairs service, purchased by the Council several years ago. The intention was for this to be self-financing, but costs had risen significantly whilst workload and income had not. The opportunity is still available but, without the introduction of the Harbour Revision Order (HRO) which is currently being progressed, improvement will be slow – the current forecast is for an underspend of £21,900 against a budgeted spend of £36,500 leaving a further £14,600 income still to be achieved for this service to reach breakeven.

Canal licences represent the other area of concern – income levels have stagnated in the opening quarter with few new vessels being kept in the canal. The forecast is for there to be a slight reduction in income in comparison with 2023/24, due to vessels being scrapped or leaving. Income will likely be some £63,000 below budgeted level.

Budget Heading	Over / (Underspend)
Corporate Property – Estates	£401,900
<p>Responsible Officer: City Surveyor</p> <p>Several properties in the Estates portfolio are currently vacant leading to a reduction in the expected annual rental income; this will be monitored throughout the year and adjusted as new tenants are found. This loss of income has been mitigated slightly by a £104.7k saving in the Estates team due to a vacancy and the City Surveyor leaving at the end of August.</p>	
Corporate Property – Assets	(£389,370)
<p>Responsible Officer: Head of Asset Maintenance</p> <p>A £200,000 budget was added in the 2023/24 financial year to cover the maintenance requirements of the leisure facilities. Unfortunately, due to the on-going restructure of the Assets team, this additional budget cannot be utilised at this time. A corresponding overspend has been forecast in the Leisure & Sport management unit. £189.4k is also being reported as an underspend against the establishment budget and will likely remain until recruitment starts and vacant posts in the new structure are filled.</p>	
Corporate	£51,650
<p>Responsible Officer: Strategic Director – Corporate Resources</p> <p>This overspend is due to various factors – an increase in external auditor fees, a forecast overspend on corporate bank charges and an overspend on subscriptions. A portion of the increased auditor fees and bank charges will be recharged to the HRA, leaving the above forecast figure.</p>	

8.8 Corporate Services

Budget Heading	Over / (Underspend)
Elections & Electoral Registration	£59,490
<p>Responsible Officer: Head of Legal & Domestic Services</p> <p>The overspend is predominantly in District Council Elections and is due to the reduction in Election budgets in 2023/24. The impact is mainly in the cost of casual staff needed on the day of the Election, although there is a small overspend in supplies & services</p>	
Human Resources	(£74,860)
<p>Responsible Officer: Interim Head of Human Resources (Operations)</p> <p>The current underspend relates to vacancies in the staffing establishment. There is also a projected underspend in the training budget. The budget will continue to be monitored, and it is anticipated that by year end it is likely that this underspend will be used.</p>	

Corporate Support	£148,820
Responsible Officer: Head of Asset Maintenance	
As in past years, the adverse variance is due to a shortfall in rental income of £230k, expected from phase one tenants at the Civic Centre. This reduced income has been offset slightly by savings in premises cost and supplies and services (£93k in total). It is unlikely that this forecast will materially change unless new tenants are secured and the rental income increase. The mail room is also reporting a £17.3k overspend which is due to the cost of postage going over budget by £9.5k. Efforts are being made to recharge appropriate postage costs across to the tenants in phase one but this is proving difficult therefore a loss of £8.4k in recharge income is also expected.	

8.9 Other Financial Variations

Budget Heading	Over / (Underspend)
Net interest	(£78,478)
Interest payable remains on target. Interest receivable is expected to be £78k higher than budgeted as interest rates remain elevated.	

8.10 General Fund Balance

In 2024/25 it is projected that there will be an overall net contribution from the General Fund Balance of £2,143,425. The minimum requirement for the General Fund working balance which was approved by Council in February 2024 at £3 million.

Movement	2024/25
Opening Balance, as at 01/04/24	£5,882,563
Net	(£2,143,425)
Projected Balance at Year End	£3,739,138

8.11 Supplementary Budgets

It is proposed that the supplementary budgets and budget transfers identified in Appendix 3 are approved and added to the 2024/25 budget.

- £48,240 will need to be funded by the general fund and will reduce the working balance.
- The remaining requests are all self-financing or funded from an earmarked reserve 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 2023	March 2024	June 2024
Up to 29 days (current)	£1,436,904	£1,411,457	£2,336,334
30 days – 1 Year	£1,697,735	£2,738,947	£1,404,597
1 – 2 years	£1,645,793	£299,265	£452,887
2 – 3 years	£199,426	£273,541	£265,605
3 – 4 years	£539,002	£78,227	£106,200
4 – 5 years	£254,721	£290,834	£102,431
5 + years	£1,186,130	£340,009	£538,624
Total	£6,959,711	£5,432,280	£5,206,681

In November 2023 aged debt totalling £1.7m in respect of overpaid Housing Benefits was transferred from the ASH Sundry Debtors system to the IMAN system, a new system specifically to manage the recovery of overpaid Housing Benefits. The aged debt analysis in the above table therefore reflects outstanding sundry debtors.

8.13 Debt Write-Offs

The following amounts have been written-off during 2024/25:

	2023/24 Total	2024/25 (Qtr 1)
• Council Tax	£236,172	£82,776
• Business Rates *	£38,096	£0
• Sundry Debt	£2,238	£0
• Housing Rents	£93,187	£30,901
• Non-HRA Rents	£63,376	£15,769
• HB Overpayments	£191,856	£12,619

* 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 96.21% for the first three months of 2024/25 compared with 94.79% after the first three months of 2023/24.

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.

A progress report was presented to Executive in February 2024. The report provided an annual summary of progress against the One Exeter Programme and set out a series of proposed outcomes for the following 12 months. Alongside this, work will start shortly on identifying cost reduction proposals for 2025/26.

Appendix 5 sets out how the Council is performing against the 2024/25 cost reductions. At the end of Quarter 1, it is forecast that £179k of the £1.402m will not be achieved, of which £157k relates to planning fee income. Planning fee income will therefore be subject to close monitoring by officers as an area of budgetary risk.

The Council's medium term financial plan anticipates reserves being reduced to the minimum required by the end of 2024/25 and further budget reductions of £3.5m are required in 2025/26. Work has now started on identifying cost reduction proposals, which includes the cost reductions identified through the service reviews undertaken in December 2022.

Since the last update, work has started on reviewing the council's Corporate Plan to ensure that it is focussed on outcomes. Progress against the agreed outcomes will be measured and these measures will help to form the basis of a corporate performance management framework.

The LGA has worked with the council to undertake a review of how the council complies with its responsibilities under the Equalities legislation and whether there are opportunities to improve. The findings of the review have been fed back to the council and will be addressed through the One Exeter programme.

The Strategic Management Board and Operational Management Board (known as the Extended Leadership Team) are working together to develop proposals for making cost reductions in 2025/26.

Work continues with the implementation of the new Senior Leadership Structure. The internal recruitment process has been completed and work has now started to recruit externally to any unfilled positions.

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 2024/25.

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: because

11.4.1 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.

Strategic Director for Corporate Resources & S151 Officer, Dave Hodgson

Authors: Nicola Morley, Bridget Kendrick, and Mark Neville-Smith

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

Contact for enquires:

Democratic Services (Committees)

Room 4.36

01392 265275