

REPORT TO EXECUTIVE

Date of Meeting: 1 December 2020

REPORT TO COUNCIL

Date of Meeting: 15 December 2020

Report of: Director Finance

Title: Overview of General Fund Revenue Budget 2020/21 – 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 2020/21 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):

- i. The General Fund forecast financial position for the 2020 financial year;
- ii. The supplementary budget as detailed in paragraph 8.10;
- iii. The outstanding Sundry Debt position as at September 2020; 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 £5.337 million at year end.

5. Section 151 Officer comments:

The second lockdown has caused a reduction in anticipated car park income, the majority of which will be covered by the Government this year. Looking forward there are a number of areas which are struggling to remain within their budget and this will need to be addressed with a particular focus on budget discipline from both Members and Officers. The Council's finances, like all Councils around the Country, are fragile and it is vital that ambitions are contained within that budget set. Where there are unavoidable cost pressures, it is vital that these are identified early to allow decisions to be made to recover the overall financial position of the Council.

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

7. Monitoring Officer's comments:

This report raises no Vires issues for the Monitoring Officer.

8. Report details:

Overview of General Fund Revenue Budget 2020/21 – Quarter 2

8.1 Financial Summary

FUND	Planned Transfer To / (From) Working Balance	Budget Variance Over / (under)	Outturn Transfer 2020/21
	£	£	£
General Fund	(1,164,957)	645,701	(519,256)

8.2 General Fund (Appendix 1 & Appendix 2)

The current Service forecasts show an overall projected overspend of £620,983 against a revised budget of £23,099,110. This includes supplementary budgets of £1,361,760 already agreed by Council. Variances of more than +/- £30,000 are detailed below:

8.3 City Development, Housing and Supporting People

Budget Heading	Over / (Underspend)
Housing Needs & Homelessness	£176,000
<p>Responsible Officer: Service Lead, Housing Needs & Homelessness</p> <p>The change from a projected breakeven to an anticipated overspend of £176k is due to additional security costs at the Great Western Hotel (doubling up of guard cover overnight) that had not previously been factored into the projected spend. This equates to £126k additional expenditure. An application to the MHCLG is being drawn up for further grant funding to reduce this overspend by at least 50%. The position should be clarified by the end of November.</p> <p>The remainder of the projected increase in costs (£50k) is due to increased repairs and dilapidations estimates at the Great Western Hotel. A budgeted figure based on ongoing repairs to date is factored into the Next Steps Accommodation Programme revenue grant however the level of dilapidations is now under review on account of the extended longevity of our occupation of the hotel and a revision of the lease agreement. A request for additional grant funding to MHCLG will also be considered to help cover these costs. It may also be possible to subsidise from within other grant balances in the Housing Needs budget subject to variation agreement with MHCLG.</p>	

8.4 Communications, Culture and Leisure Facilities

Budget Heading	Over / (Underspend)
Leisure & Sport	(£50,000)
<p>Responsible Officer: Service Lead Communications, Tourism & Culture</p> <p>The Leisure provision in the city was brought back in house from 1 September, and early indications are that the estimated cost in 2020/21 will be less than the initial budget of £1.19m. However, it is impossible to make an accurate forecast at this stage, especially in view of the second lockdown which will mean that facilities will again have to be closed from 5 November for at least four weeks. It is anticipated that any unspent budget for the current year will be placed in an earmarked reserve for future years' running costs.</p>	
Visitor Facilities	(£101,500)
<p>Responsible Officer: Facilities & Markets Manager</p> <p>A detailed review building on the 'headlines' of the Emergency Budget has identified achievable savings in items usually purchased for resale that will not be required if visitor numbers do not pick up. The overall figure is lower for Quarter 2 than in Quarter 1 as opportunities for income generation this year are reduced by the extended impact of coronavirus.</p>	

8.5 Zero Exeter and City Management

Budget Heading	Over / (Underspend)
Parking Services	£366,970
<p>Responsible Officer: Service Manager – Engineering, Waterways & Parking</p> <p>Parking income exceeded expectations over the summer, however this upward trend was not sustained. The recent announcement of a second lockdown is expected to make a significant impact on parking income in the pre-Christmas period and the assumptions for the remainder of the financial year have also been lowered.</p> <p>The full effect of the loss of income is partly offset by rates refunds received as a result of car park closures, and savings on Pay by Phone charges due to reduced usage and change in provider from September 2020.</p>	
Cleansing Chargeable Services	(£198,620)
<p>Responsible Officer: Cleansing and Fleet Service Manager</p> <p>The underspend is primarily due to the income budgets on MRF Commercial work being moved to Recycling. There is a saving on the budgeted costs as there is no further planned activity this year due to the fall in value of recyclate and the unreliability of the MRF. Green waste has generated more income than expected.</p>	
Cleansing Overheads	£53,700
<p>Responsible Officer: Cleansing and Fleet Service Manager</p> <p>There is a projected overspend due to unforeseen ongoing expenditure on drain clearance in order to satisfy South West Water requirements, and re-surfacing works.</p>	
Recycling	£363,020
<p>Responsible Officer: Service Manager - Cleansing and Fleet</p> <p>The projected over-spend has increased due to the additional impact of the pay award and agency costs covering for sickness on top of the previously reported MRF commercial income budgets being unachievable.</p>	

8.6 Finance

Budget Heading	Over / (Underspend)
Corporate Property - Energy	(£42,040)
<p>Responsible Officer: City Surveyor</p> <p>Capitalised salary costs relating to the Smart Grid and Storage Project at Water Lane, which was not included in the original revenue budget due to delays in project initiation.</p>	

8.7 Corporate Services

Budget Heading	Over / (Underspend)
Corporate Support	£82,500
<p>Responsible Officer: Corporate Manager Democratic and Civic Support</p> <p>Due to the ongoing impact of the pandemic, we are now assuming that none of the new leases anticipated for Phase I of the Civic Centre will generate any income before 31 March 2021, and the additional £200,000 rental income in the revised budget is therefore not expected to be received.</p> <p>This is partly offset by savings on National Non Domestic Rates (NNDR) and utilities for the Civic Centre, postage costs and staff costs.</p>	

8.8 Other Financial Variations

Budget Heading	Over / (Underspend)
Net interest	(£144,000)
<p>Based on current Cashflow, it is unlikely that additional borrowing will be required, which has offset the reductions in interest received as a result of lower interest rates.</p>	
Covid 19 Grant	(£515,739)
<p>Further awards of funding from Central Government to support Councils have been made.</p>	
Sales, Fees & Charges Compensation	(£2,500,000)
<p>On 2 July, 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 first claim, covering income losses during April, May, June and July, was submitted on 29 September which totalled £1.5m. It is estimated that a further £1m at least will be recoverable over the remaining period of the financial year. This will offset much of the projected additional loss of car park income as a result of the second lockdown.</p> <p>Council approved up to £1m from the income loss compensation scheme to be allocated to fund urgent issues arising out of the response to Covid-19 and to offset the reductions in service budgets if required for urgent issues. Use of the £1m set aside is delegated to the Chief Executive, in consultation with the Leader and Director Finance.</p>	

8.9 General Fund Balance

In 2020/21 it is projected that there will be an overall net contribution from the General Fund Balance of £519,256. The minimum requirement for the General Fund working balance was approved by Council in February 2020 at £3m.

Movement	2020/21
-----------------	----------------

Opening Balance, as at 01/04/20	£5,856,249
Deficit	(£519,256)
Projected Balance at Year End	£5,336,993

8.10 Supplementary Budgets & Budget Transfers

It is proposed that the supplementary budgets identified in Appendix 3 are approved and added to the 2020/21 budget.

One budget will be financed from an earmarked reserve and therefore will have no impact on the projected General Fund working balance. However the other budget will reduce the Working Balance by £55,000. This is affordable and one off in nature.

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 2019	March 2020	September 2020
Up to 29 days (current)	£1,356,559	£2,399,454	£1,437,380
30 days – 1 Year	£1,613,514	£1,530,103	£2,926,398
1 – 2 years	£647,966	£451,358	£912,798
2 – 3 years	£617,436	£550,482	£556,523
3 – 4 years	£511,466	£276,837	£249,639
4 – 5 years	£275,815	£417,580	£239,893
5 + years	£583,089	£752,772	£989,102
Total	£5,605,845	£6,378,586	£7,311,733

8.12 Debt Write-Offs

The following amounts have been written-off during 2020/21:

	2019/20 Total	2020/21 (up to Qtr 2)
• Council Tax	£268,615	£38,003
• Business Rates *	£1,924,524	£0
• Sundry Debt	£36,552	£98
• Housing Rents	£74,727	£56,253
• Non-HRA Rents	£91,418	£36,929
• HB Overpayments	£153,310	£63,893

* 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 97.00% for the first six months of 2020/21 compared with 94.86% for 2019/20.

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 2020/21.

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

Authors:

Nicola Matthews-Morley, Michelle White, Sally Reeve, Adrian Rutter and Claire Hodgson

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