

REPORT TO EXECUTIVE

Date of Meeting: 29 November 2022

REPORT TO COUNCIL

Date of Meeting: 13 December 2022

Report of: Director Finance

Title: Overview of General Fund Revenue Budget 2022/23 – 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 2022/23 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 2022 financial year;
- (2) The supplementary budgets as detailed in paragraph 8.12 and Appendix 3;
- (3) The outstanding Sundry Debt position as at September 2022; and
- (4) The creditors payments performance
- (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 £4.234 million at year end.

5. Section 151 Officer comments:

The General Fund position has benefited from two positive variances identified during quarter 2. Car Park income is now projecting close to budget and net interest has benefitted from the rising interest rates on deposits not being offset by further borrowing. The Council will make use of its own resources to minimise the need for external borrowing until rates stabilise.

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:

The purpose of this paper is to set out the financial position for Members attention and as such raises no issues for the Monitoring Officer.

8. Report details:

Overview of General Fund Revenue Budget 2022/23 – Quarter 2

8.1 Financial Summary

FUND	Planned Transfer To / (From) Working Balance £	Budget Variance Over / (under) £	Outturn Transfer 2022/23 £
General Fund	(1,865,600)	577,374	(1,288,226)

8.2 General Fund (Appendix 1 & Appendix 2)

The current forecasts show an overall projected overspend of £1,266,020 against a revised budget of £20,866,560. This includes supplementary budgets of £5,411,610 already agreed by Council (18 Oct 2022). Variances of more than +/- £30,000 are detailed below:

8.3 Chief Executive & Growth Director

Budget Heading	Over / (Underspend)
Affordable Housing Development	(£190,000)
Responsible Officer: Chief Executive Two of the three business cases will not start this year. The additional work on the third case is also not likely to go ahead this year either therefore this will be requested as a supplementary budget in 2023/24.	

8.4 Housing and Supporting People

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

8.5 City Development

Budget Heading	Over / (Underspend)
Planning	£140,000
<p>Responsible Officer: Service Lead, City Development</p> <p>The financial impact of the pay offer of £1,925 across all grades is likely to cause overspends on salary budgets.</p> <p>The City Council has not received as much fee income from large major planning applications as expected. Furthermore, we are not aware of any more major applications to be submitted before the end of the financial year. Therefore, the fee income received will likely not reach the forecast amount.</p>	

8.6 Communications, Culture and Leisure Facilities

Budget Heading	Over / (Underspend)
Culture	(£80,660)
<p>Responsible Officer: Service Lead – Communications, Tourism & Culture</p> <p>This underspend reflects the £100,000 supplementary budget for Special Events not being fully utilised this year. Most of this will be requested for inclusion in the next financial year (2023/24) but an amount has been left in 2022/23, to cover any initial spend that the project may incur. This will not likely happen until February or March of 2023.</p>	
Tourism	(£33,390)
<p>Responsible Officer: Service Lead – Communications, Tourism & Culture</p> <p>The Tourism budget exists to promote the Council’s visitor attractions, such as the Underground Passages and the Red Coat tours. However, much of this spend has been included in the ‘Visit Exeter’ budget, creating this forecast underspend.</p>	

Markets & Halls	(£124,330)
<p>Responsible Officer: Facilities & Markets Manager</p> <p>The livestock market continues to thrive at the Matford Centre, bringing in additional income to the Council. However, the impact of the current economic situation has yet to be fully realised so this surplus to budget will be monitored closely over the remainder of the year.</p>	
Museum Services	(£107,530)
<p>Responsible Officer: Museums Manager & Cultural Lead</p> <p>This underspend forecast is due to two predominant factors. Firstly, the appeal to reduce the rateable value of RAMM has been successfully concluded, reducing the rateable value back down to £1. Not only has the Museum received credits for the overpayments for rates and the BID levy for this year but also for several previous years, giving an additional credit of approximately £57,000. Secondly, the recent Lego exhibition was incredibly successful and has provided additional income of £30,000. Savings have been made across staffing and supplies & services, all of which has helped to offset the loss of sales income in the shop. Although this is a healthy underspend, it should be noted that it has been achieved by two 'one-off' factors – the rates rebate and the Lego exhibition – therefore this level of savings cannot be counted on again in future years.</p>	
Leisure & Sport	£899,000
<p>Responsible Officer: Director - Communications, Culture & Leisure</p> <p>Leisure has a forecast overspend of £899k, of which £36k will be funded from the redundancy reserve, giving an adjusted overspend of £863k.</p> <p>Some £130k of this is due to the increase in energy prices, £266k is due to the pay award and £562k is due to repairs & maintenance, equipment, tools & materials and cleaning costs. Income is forecast to be £96k better than budget.</p> <p>The team are likely to deliver a revised model as part of the February budget</p>	
Communications	(£127,390)
<p>Responsible Officer: Service Lead – Communications, Tourism & Culture</p> <p>There are several contributing factors to this forecast underspend, including one vacant post which is not likely to be filled until January 2023. There is currently an underspend in Supplies & Services, indicating that communications and marketing activity have not yet reached pre-pandemic levels and publications and advertising revenue is still healthy, with a forecast of £75,000 by year-end.</p>	

Active & Healthy People	(£45,000)
<p>Responsible Officer: Active & Healthy People Programme Lead</p> <p>The CIL funded contract with Exeter Community Initiatives to deliver the VCSE infrastructure support for 'Exeter Connect' will complete in November 2022. The programme will be ongoing to 31 March 2023 due to an operational underspend that has been accrued.</p>	

8.7 Net Zero Exeter and City Management

Budget Heading	Over / (Underspend)
Domestic Waste Collection	(£273,630)
<p>Responsible Officer: Service Lead – Waste, Recycling & Fleet</p> <p>The service continues to struggle to recruit and this has caused operational difficulties. This has delayed the roll out of the food waste programme 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.</p>	
Waste Chargeable Services	£514,440
<p>Responsible Officer: Service Lead – Waste, Recycling & Fleet</p> <p>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 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 2022/23 as renewals are delayed to reflect the break in service.</p>	
Recycling and MRF	£77,790
<p>Responsible Officer: Service Lead – Waste, Recycling & Fleet</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>	
Public Safety	£114,200
<p>Responsible Officer: Service Lead – Environmental Health and Community Safety</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 CCTV Officers.</p>	
Parking Services	£363,550
<p>Responsible Officer: Service Lead – Net Zero and Business</p> <p>Car Park charges have remained stable at 98% of the budget profile to the end of September and are expected to continue at this level through to Christmas. However,</p>	

<p>given so many variables potentially impacting on income levels, it is prudent to assume a slight reduction to 95% in the New Year, producing a year average 97.3% of budget.</p> <p>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.</p> <p>The financial impact of the pay offer is likely to cause overspends on salary budgets.</p>	
Waterways	£77,250
<p>Responsible Officer: Service Lead – Harbour Master</p> <p>£44k of income was incorrectly accrued for at 2021/22 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

Budget Heading	Over / (Underspend)
Corporate Property – Assets	(£199,820)
<p>Responsible Officer: City Surveyor</p> <p>Property Maintenance is currently showing a forecast underspend of £100,000. However, with the arrival of winter, there may be significant works which will need to be carried out which could affect this underspend; it will be clearer at quarter three if this figure will change. Despite the forecast including the proposed pay award, there are savings in staff salaries due to vacancies as well as savings in supplies and services</p>	

8.9 Corporate Services

Budget Heading	Over / (Underspend)
Civic Ceremonials	£37,630
<p>Responsible Officer: Service Lead – Democratic Support</p> <p>The overspend is due to the additional cost of Operation London Bridge and the associated activities to mark the death of the Queen. A forecast cost of £31,000 was outlined in a paper to the Executive on 4th October; however, this has been offset with an underspend of £3,500 against the Queen’s Jubilee Celebrations. The remainder of the overspend is due to the proposed pay award and a forecast deficit against lettings income in the Guildhall Chambers, , which is not helped due to the on-going unavailability of the Jury Room, whilst waiting for the roof to be repaired.</p>	
Corporate Support	£159,240
<p>Responsible Officer: Service Lead – Democratic Support</p> <p>As in quarter one, this overspend is due to the empty offices in the Civic Centre reducing annual income. At this time, there is no prospective tenants, so this situation is unlikely to change in the foreseeable future</p>	

8.10 Other Financial Variations

Budget Heading	Over / (Underspend)
Net interest	(£72,100)
<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> <p>It is anticipated that forecast slippage within the capital programme will lead to a reduced borrowing requirement resulting in less interest to be paid. We are also seeing increased rates of interest earned on investments.</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 £4,234,347. An additional £2m will be required from earmarked reserves in order for this to be 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	£5,522,573
Net	(£1,288,226)
Projected Balance at Year End	£4,234,347

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	September 2022
Up to 29 days (current)	£2,399,454	£1,154,547	£1,362,011
30 days – 1 Year	£1,530,103	£2,129,058	£2,594,414
1 – 2 years	£451,358	£387,330	£461,193
2 – 3 years	£550,482	£623,164	£301,008
3 – 4 years	£276,837	£280,899	£539,357
4 – 5 years	£417,580	£180,759	£196,527
5 + years	£752,772	£1,136,701	£1,042,106
Total	£6,378,586	£5,892,458	£6,496,616

8.14 Debt Write-Offs

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

	2021/22 Total	2022/23 (Qtr 2)
• Council Tax	£251,786	£86,188
• Business Rates *	(£4,273)	£0
• Sundry Debt	£36,402	£1,801
• Housing Rents	£86,948	£51,347
• Non-HRA Rents	£111,991	£62,156
• HB Overpayments	£150,304	£10,151

* 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 97.62% for the first six months of 2022/23 compared with 97.00% after the first six 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 One Exeter Team are continuing to work with the Strategic Management Board (SMB) and the Operational Management Board (OMB) to deliver the work programme which was agreed by Council.

This work currently continues as planned but against a backdrop of rising costs, for example energy costs and increased rates of interest. Like every other council in the country, as well as all households, this will put pressure on costs and SMB are working on addressing this.

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 2, it is forecast that £66k 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.

Since the quarter 1 update, Service Leads have started to undertake reviews of their services. This is to ensure that the council can meet the needs of its customers in a consistent and cohesive way and understand the most cost effective ways of delivering services at the same time. Not only will the reviews help to identify more efficient ways of working, they will also help to meet the cost reductions set out in the Medium Term

Financial Plan. Members have also been consulted on the latest proposed savings in respect of discretionary services.

The outcomes of the service reviews will be summarised and presented to SMB in December, so that any budget changes for the financial year 2023/2024 can be incorporated into the budget-setting process for Members approval.

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)

12.1 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.

12.2 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.

12.3 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.

12.4 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.

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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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