

REPORT TO EXECUTIVE

Date of Meeting: 4 April 2023

REPORT TO COUNCIL

Date of Meeting: 18 April 2023

Report of: Director Finance

Title: Overview of General Fund Revenue Budget 2022/23 – 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 2022/23 financial year after nine 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 of the report;
- (3) The outstanding Sundry Debt position as at December 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 £4.716 million at year end.

5. Section 151 Officer comments:

It is important for Members to note that, whilst the overall position looks favourable, compared to the revised budget, many of the significant underspends relate to projects, which will require supplementary budgets in the next financial year. These mask some significant areas of financial pressure, which will continue to be monitored

during 2023-24. It is expected that once the supplementary budgets have been requested the financial position will continue to be challenging.

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:

Member's particular attention is drawn to section 6 of this report above which sets out the legal implications and in particular the obligations placed on members to respond accordingly.

8. Report details:

Overview of General Fund Revenue Budget 2022/23 – Quarter 3

8.1 Financial Summary

FUND	Planned Transfer To / (From) Working Balance £	Budget Variance Over / (under) £	Outturn Transfer 2022/23 £
General Fund	(1,815,600)	1,009,313	(806,287)

8.2 General Fund (Appendix 1 & Appendix 2)

The current forecasts show an overall projected underspend of £743,010 against a revised budget of £20,868,560. This includes supplementary budgets of £5,413,610 already agreed by Council. Variances of more than +/- £30,000 are detailed below:

8.3 **Chief Executive & Growth Director**

Budget Heading	Over / (Underspend)
Strategic Management	(£46,720)
Responsible Officer: Chief Executive The under-spend is due to staff vacancies in the Personal Assistants team and reduction in hours against budget in Strategic Management.	

Affordable Housing Development	(£190,000)
<p>Responsible Officer: Chief Executive</p> <p>As at quarter two, the remaining business cases will not now be started in 22/23. Therefore, the entire budget is given up as a saving.</p>	

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>As previously reported the financial impact of the pay offer of £1,925 across all grades is has caused overspends on the salary budgets.</p>	
Revenues, Benefits & Customer Access	£150,000
<p>Responsible Officer: Service Revenues, Benefits & Customer Access</p> <p>The generation of new overpayments has been on the decline over the last 3 years. This is due to:</p> <ul style="list-style-type: none"> • caseloads dropping as working age Housing Benefit (HB) cases migrate over to Universal Credit (UC), • being more up to date with our work on a regular basis, and • the introduction of data feeds such as VEP (Earnings & pensions data) which means our caseload overall is kept more accurate, so reducing the number of overpayments and the size of them, as changes are picked up sooner. <p>The cases that have migrated to UC so far are also those most likely to generate overpayments i.e. working age with frequent changes, in and out of work etc. so the opportunity to create an overpayment is declining. The shift away from HB to UC also shifts the recovery of overpayments away from deductions from ongoing HB towards UC deductions which we have no control over and unfortunately our deductions are not classified as high priority meaning it will take longer to collect our debt.</p>	
Organisational Change Programme	(£200,000)
<p>Responsible Officer: Organisational Transformation Programme Lead</p> <p>The budget is funded from an earmarked reserve and has been re-profiled to reflect the on-going future programme, any underspend will be requested as a supplementary budget in 2023/24 and 2024/25.</p>	

8.5 City Development

Budget Heading	Over / (Underspend)
Planning	(£300,000)
<p>Responsible Officer: Service Lead, City Development</p> <p>There is a forecast underspend of £300,000 on the local plan budget. This is as a result of a re-profiling exercise of planned expenditure. This took account of an additional consultation added to the plan preparation process and a review of evidence requirements and how the evidence would be put together.</p>	
Liveable Exeter Garden City	(£1,000,000)
<p>Responsible Officer: Director</p> <p>Grant funding has been provided from DLUCH to progress Liveable Exeter, the money can be spent in any given financial year so the flexibility remains to apportion the money as projects are developed. Therefore any unspent grant money at the end of the financial year will be transferred into an earmarked reserve and a supplementary budget requested in 2023/24.</p>	

8.6 Communications, Culture and Leisure Facilities

Budget Heading	Over / (Underspend)
Culture	(£105,010)
<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. All of this will be re-requested in 2023/24, as none of it will be used in this financial year.</p>	
Tourism	(£35,400)

Responsible Officer: Service Lead – Communications, Tourism & Culture

The Tourism budget exists to promote the Council's visitor attractions, such as the Underground Passages and the Red Coat tours. As in quarter two, much of this spend has been included in the 'Visit Exeter' budget, creating this forecast underspend. From 2023/24, part of Tourism will be included in the 'Visit Exeter' budget and the rest given up as savings.

Markets & Halls

(£180,690)

Responsible Officer: Facilities & Markets Manager

The livestock market continues to be successful at the Matford Centre, bringing in additional income to the Council. Car parking is also exceeding income budgets and the overall surplus to income is £55,000. Savings have also been made due to vacancies in staffing (approximately £37,000) and at this point of the year, savings in supplies and services are also becoming apparent. Optimism for quarter four remains high.

Museum Services

(£99,580)

Responsible Officer: Museums Manager & Cultural Lead

As at quarter two, the two predominant factors of this underspend is the rates rebate and the additional income provided by the Lego exhibition. Footfall hasn't yet returned to pre-pandemic levels but indications are that the February half-term has been busy and with a new exhibition starting soon, there is some cautious optimism for the rest of the year.

Leisure & Sport

£1,066,000

Responsible Officer: Director - Communications, Culture & Leisure

Leisure has a forecast overspend of £1,066,000, of which £36,000 will be funded from the redundancy reserve, giving an adjusted overspend of £1,030,000.

The majority of this was reported at Quarter 2, since that report the forecast overspend has increased by £167k, this is due to the business rates and electricity costs at St Sidwells Point being higher than anticipated, however these increases have been partially offset by income from monthly memberships exceeding forecast expectations.

A restructure, price increase and service review has taken place. This will correct the impact of external factors from April.

Communications

(£101,890)

Responsible Officer: Service Lead – Communications, Tourism & Culture

There are several contributing factors to this forecast underspend. A vacant post wasn't filled until January 2023 and revenue from publications and advertising is still healthy, with a forecast of £90,000 by year-end.

Active & Healthy People	(£530,000)
<p>Responsible Officer: Active & Healthy People Programme Lead</p> <p>As reported at Quarter 2 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> <p>A forecast underspend of £485k against the budgeted £750k to formally progress the Wonford Community Wellbeing Hub programme has been identified. This was a proposed 15 month programme of work from July 2022 so the remainder of the budget will be spent in 2023/24 to develop and finalise the detailed final designs and business case for planning.</p>	
Exeter Community Grants Programme	(£39,000)
<p>Responsible Officer: Active & Healthy People Programme Lead</p> <p>There is an underspend of £39k on the discretionary community grants programme due to the non-allocation of the full budget of ward and small grants. The grants budget for 2023/24 is currently paused and will be confirmed following the accrual of further neighbourhood CIL receipts to be received based on the planning forecasts.</p>	

8.7

Net Zero Exeter and City Management

Budget Heading	Over / (Underspend)
Environmental Protection	(£61,320)
<p>Responsible Officer: Service Lead – Environmental Health & Community Safety</p> <p>Vacancies within the Neighbourhood Team in particular have more than compensated for the extra cost of the pay award across the service unit.</p>	
Licensing, Food, Health & Safety	£200,180
<p>Responsible Officer: Service Lead – Environmental Health & Community Safety</p> <p>Home Call income continues to fall short of the income target due to a loss of customers in recent years. A marketing strategy has been developed which will seek to raise the profile of this service area and seek to increase the customer base over 2023. The marketing strategy will see a leaflet in all council tax bills in March, as well as promotional materials in doctors' surgeries and other selected publications.</p>	
Parking Services	£550,090

Responsible Officer: Service Lead – Net Zero and Business

Car Park charges have fallen back from the 98% achievement of the budget profile to the end of September. Quarter 3 revenues were up, but the skew of budgets through to Christmas resulted in the achievement rate falling back to 96% for the year to date. Given the many variables potentially impacting on income levels, it is prudent to assume no improvement in the New Year, reducing the year average to 96.2% of budget (-1.1%)

Season ticket income remains affected by 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 also caused overspends on salary budgets.

Waterways

£411,340

Responsible Officer: Service Lead – Harbour Master

The fallout of a vessel sinking has badly affected this management unit – clean-up costs, combined with destruction/disposal of the wreck, could exceed £125k which are unlikely to be recoverable against either the owner or our insurer. At year-end £44k of income was incorrectly accrued into 2021/22; a further £85k results from targets being too high £70k (canal licences and laying alongside) or rent re-negotiations beyond the unit's control £16k. The service has also been impacted by the pay offer, there are no compensating vacancies, and agency cover has been required for staff absence whilst biennial dredging together with survey work have greatly exceeded budgets available.

Engineering Services

(£47,370)

Responsible Officer: Service Lead – Public and Green Space

Vacancies following retirements have been in excess of additional costs of pay awards with posts difficult to recruit.

Street Cleaning

(£54,270)

Responsible Officer: Service Lead – Public and Green Space

Vacancies within Street Sweeping team have more than compensated for the additional pay award costs of the £1,925 flat rate settlement.

Domestic Waste Collection

(£147,000)

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 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.

Waste Chargeable Services

£528,160

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 extended existing high profile contracts. However there is an ongoing shortfall against the income target.

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.

Waste and Fleet Overheads	£106,720
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Responsible Officer: Service Lead – Waste, Recycling & Fleet

Costs of PPE (gloves) have risen significantly (£44k) as have Electricity (£20k) and Trade Effluent (£12k) charges whilst pay and agency costs have also exceeded budgets

Recycling and MRF	(£86,590)
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Responsible Officer: Service Lead – Waste, Recycling & Fleet

Significant increases in the values receivable for recyclates has boosted income within this area. This has more than compensated for the financial impact of the flat rate £1,925 pay offer across all grades.

8.8 **Finance**

Budget Heading	Over / (Underspend)
Major Projects	(£1,028,020)
Responsible Officer: City Surveyor The budgets in this management unit are all supplementary and at this point of the year, it is clear as to what the forecast costs will be for each project. There is a forecast underspend of £180,000 in the ECL Property Support cost centre and a £850,000 saving against the Bus Station Demolition project; there is potential for more savings but some of the budget has been left in in case of small costs that may be incurred by year-end, such as consultancy costs. Any surplus will be requested as new supplementary budgets in 2023/24.	
Corporate Property – Estates	£494,450
Responsible Officer: City Surveyor There are several predominant factors for this overspend. Firstly, ECC have historically received £325,000 in head rent for the Guildhall; however, since the Council now own the shopping centre, only rent to the sale date of 10 th May has been recognised, giving rise to a loss of £284,264. However, this will be offset with tenancy rents by year-end. Secondly, the Southgate Hotel is still forecast to make a loss of £45,000 as they	

<p>continue their post-pandemic recovery. There is also a forecast overspend in property maintenance of £73,340, as well as a few empty properties.</p> <p>However, it should be noted that there will be two adjustments at year-end that may materially affect the outturn, firstly, accounting for the Guildhall is still on-going and posting to the accounts only started in period 10 so there is likely to be some catch-up at year-end. Secondly, there is a bad debt accounting adjustment that is carried out in month 13, which can materially affect the figures; at this point, it is not possible to forecast what this figure will be.</p>	
Corporate Property – Assets	(£198,640)
<p>Responsible Officer: City Surveyor</p> <p>There is not much of a change from the quarter two forecast figure. Property maintenance is still showing a forecast underspend of £100,000 and there are still establishment vacancies, which will be reviewed as part of the new staffing structures.</p>	
Unapportionable Overheads	(£50,000)
<p>Responsible Officer: Chief Financial Officer</p> <p>This underspend is related to pension recharges to Devon County Council. This is likely to be a yearly occurrence so this has been identified as future savings and added to the MTFP.</p>	

8.9 Corporate Services

Budget Heading	Over / (Underspend)
Human Resources	(£45,360)
<p>Responsible Officer: Service Lead – Human Resources</p> <p>This forecast is wholly due to a £60,000 underspend in staff training; this saving is reduced slightly due to an overspend in salaries due to the recent pay award</p>	
Civic Ceremonials	£54,490
<p>Responsible Officer: Service Lead – Democratic Support</p> <p>As at quarter two, one of the primary reasons for the overspend is due to the additional cost of Operation London Bridge and the associated activities to mark the death of the Queen – this is £35k over budget. The remainder of the overspend is due to the proposed pay award, additional casual staffing and a forecast deficit against lettings income in the Guildhall Chambers.</p>	
Corporate Support	£167,560

Responsible Officer: Service Lead – Democratic Support

There has been no change in the rental situation at the Civic Centre which continues to lead to an under-performance. The situation has been improved by some savings in premises and supplies & services but as there are still no prospects for new tenants, this figure is unlikely to change materially by year-end.

8.10 Other Financial Variations

Budget Heading	Over / (Underspend)
Net interest	
<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 £806,287. 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	(£806,287)
Projected Balance at Year End	£4,716,286

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	December 2022

Up to 29 days (current)	£2,399,454	£1,154,547	£1,934,567
30 days – 1 Year	£1,530,103	£2,129,058	£1,396,802
1 – 2 years	£451,358	£387,330	£1,390,009
2 – 3 years	£550,482	£623,164	£135,768
3 – 4 years	£276,837	£280,899	£301,527
4 – 5 years	£417,580	£180,759	£44,747
5 + years	£752,772	£1,136,701	£277,821
Total	£6,378,586	£5,892,458	£5,481,241

8.14 Debt Write-Offs

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

	2021/22 Total	2022/23 (Qtr 3)
• Council Tax	£251,786	£124,606
• Business Rates *	(£4,273)	£0
• Sundry Debt	£36,402	£519
• Housing Rents	£86,948	£70,467
• Non-HRA Rents	£111,991	£76,325
• HB Overpayments	£150,304	£40,933

* 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 97.08% for the first nine months of 2022/23 compared with 92.93% after the first nine 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.

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 3, it is forecast that £105k of the £1.3m prediction will not be achieved.

The report also identified a funding gap between 2023/24 – 2026/27 of £6.6m. However, over the last year, this position has changed due to inflationary pressures causing higher wages and energy costs, together with higher interest rates. As a result of this, the funding gap identified over the remaining life of the MTFP has increased and is now showing at £9.675m. The MTFP has been re-profiled to reflect

the increased funding gap. Appendix 6 sets out progress against the seven work streams identified to reduce costs and assessed risk status.

Since the quarter 2 update, Service Leads have undertaken a review of their services. This was to help 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. The reviews identified a number opportunities for more efficient ways of working as well as a series of proposals to deliver a 15% service cost reduction over the life of the MTFP. A detailed review of discretionary services has also been undertaken along with a number of additional actions to deliver the required cost reductions in 2023/24. A report setting out the proposed cost reductions was presented and agreed by Executive in February 2023.

Over the next quarter, the focus will shift to creating a roadmap for developing a Customer Access Strategy that will deliver services that better meet the differing needs of residents and businesses. People increasingly expect to interact with organisations wherever they like, whenever they like, on whichever device they have and whatever channel they choose. Not only will this offer opportunities to introduce more efficient ways of working, it will also provide customers with a better experience.

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: 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.

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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