

REPORT TO EXECUTIVE

Date of Meeting: 3 October 2023

REPORT TO COUNCIL

Date of Meeting: 17 October 2023

Report of: Director Finance

Title: Overview of General Fund Revenue Budget 2023/24 – 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 2023/24 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 2023 financial year;
- (2) The supplementary budgets and budget transfers as detailed in paragraph 8.10 and Appendix 3;
- (3) The outstanding Sundry Debt position as at June 2023;
- (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 £4.337 million at year end.

5. Section 151 Officer comments:

Whilst the overall picture looks to be on track, the shortfall in income, particularly car parking and trade waste is of concern. It continues a trend that started in Q4 of 2022-23 and means that we are not receiving all the income that we rely on to deliver services. Whilst this year, those deficiencies look to be covered by lower than expected utility costs

and significant vacancies across the Council, this cannot be relied upon as a longer term solution and Members need to be aware of the impact this will have on future service budgets.

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 sets out the Council's financial position for the first quarter. As such this report is for members' information. Having said that, the Monitoring Officer would like to remind members of their obligation to exercise their fiduciary duty carefully. The meaning of fiduciary duty can be summarised as a duty to conduct administration in a business-like manner with reasonable care, skill and caution and with due regards to the council's rate payers. When discharging their fiduciary duties councillors will need to consider the following:

- a. Prudent use of the council's resources, including the raising of income and the control of expenditure;
- b. Financial prudence both long and short term;
- c. Striking a fair balance between the interest of the council tax payers on the one hand and the community interest and adequate and efficient services on the other hand;

8. Report details:

Overview of General Fund Revenue Budget 2023/24 – Quarter 1

8.1 Financial Summary

FUND	Planned Transfer To / (From) Working Balance £	Budget Variance Over / (under) £	Outturn Transfer 2023/24 £
General Fund	(2,344,930)	530,770	(1,814,160)

8.2 General Fund (Appendix 1 & Appendix 2)

The current forecasts show an overall projected overspend of £207,330 against a revised budget of £20,923,740. This includes supplementary budgets of £6,597,320 already agreed by Council. Variances of more than +/- £30,000 are detailed below:

8.3 City Development

Budget Heading	Over / (Underspend)
Housing Needs and Homelessness	£51,420
<p>Responsible Officer: Service Lead, Housing Needs & Homelessness</p> <p>The financial impact of the proposed pay offer of £1,925 across all grades will cause overspends on the salary budgets.</p>	
Planning	£31,960
<p>Responsible Officer: Service Lead, City Development</p> <p>The financial impact of the proposed pay offer of £1,925 across all grades will cause overspends on the salary budgets.</p>	

8.4 Communications, Culture and Leisure Facilities

Budget Heading	Over / (Underspend)
Markets & Halls	(£183,860)
<p>Responsible Officer: Facilities & Markets Manager</p> <p>Income forecasts are looking positive already for the year, especially at The Matford Centre. Kivell's are anticipating another successful year with £80,000 above the income target and the car parks are forecast to make £15,000 above budget. There are also forecast savings against utilities in both the Matford Centre and the Corn Exchange, in the region of £81,000. There are also small savings in establishment vacancies which is currently mitigating the estimated pay award and several properties have been re-evaluated by the Valuation Office, resulting in a small saving in rates as well. The revenue streams will be monitored carefully to ensure that these forecasts are achieved.</p>	
Museum Services	(£277,650)

Responsible Officer: Museums Manager & Cultural Lead	
The underspend forecast at quarter one is predominantly due to vacancies within the RAMM staffing establishment of £74,000 and a savings against utility budgets of approximately £220,000. This has been used to offset an estimated shortfall in shop revenue. These material savings will be monitored closely throughout the year, especially regarding utilities, and adjusted as necessary. The new establishment structure has been approved during the Summer and the reorganisation is due to happen by Christmas 2023; savings from this will be reflected in the 2024/25 budget	
Leisure & Sport	(£786,390)
Responsible Officer: Director - Communications, Culture & Leisure	
This reported underspend is mainly due to a forecast surplus to membership income. This reflects growing public confidence after the Covid pandemic and the cost of living crisis; footfall has been steadily increasing since the beginning of the year and is now exceeding what it was at the same point last year. However, as this is the first year that all the centres will be open and at capacity, the trend for membership growth is still unknown so the forecast has remained cautious at this time. An underspend of £254,000 in utilities has also been forecast; both of these areas will be monitored closely as the year progresses.	
An unforeseen impact on the forecast has been the inclusion of routine maintenance costs. £200,000 was added to the Corporate Property – Assets budget for Leisure & Sport to reflect the centres being bought in-house; however, the delay in restructuring this team has meant that costs are being borne by the individual centres. As with income, it is difficult to forecast the cost of maintaining (mainly) aging buildings which are running at peak capacity, so a prudent approach has been taken in forecasting, including the assumption 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.	

8.5

Net Zero Exeter and City Management

Budget Heading	Over / (Underspend)
Environmental Protection	(£87,480)
Responsible Officer: Service Lead – Environmental Health & Community Safety	
Vacancies within the Neighbourhood and Environmental Quality Teams have more than compensated for the extra cost of the pay offer across the service unit. An increase in funds available for Disabled Facilities Grants has also increased the administrative burden rechargeable to the grant allocation above budgeted levels.	
Licensing, Food, Health & Safety	£178,490

Responsible Officer: Service Lead – Environmental Health & Community Safety

Home Call income continues to fall short of the income target, despite the marketing campaigns that have taken place since March, which have already succeeded in generating some new customers. Additional sources of income, in particular making use of the Council's expertise in the field of CCTV monitoring, are being developed to help offset this issue with contracts due on stream during the year.

Parking Services**£988,770****Responsible Officer: Service Lead – Net Zero and Business**

The introduction of car park re-zoning from mid-May is expected to generate additional income, but it is still not anticipated that Car Park charges will break-even. There has only been 6-7 weeks of data available to examine to forecast the year end position; with the skew of budgets towards Quarter 3 it is difficult to assess the year-end position with confidence, but at present a shortfall of £650k is a prudent estimate. Quarter 1 achievement of target is just in excess of 95%.

Season ticket income continues to be affected by changes in demand, as a result of commuters working from home. Changes to the discounts offered are anticipated to reduce the adverse outturn variance, but not sufficiently to bring back into balance in the current year. Quarter 1 achievement is only just in excess of 50% of budget, with no history of a steep rise in the remainder of the year being likely it is prudent to forecast under-achievement at the same rate giving a shortfall of £330k. Parking permits will be reviewed this financial year to address new trends.

Waterways**£125,360****Responsible Officer: Service Lead – Harbour Master**

The Exeter Port Authority operates a mooring repairs service, purchased by the Council a number of years ago. The intention was for this to be self-financing, but costs have increased significantly whilst workload and income has not. The opportunity is still available but, without the HRO currently being progressed, improvement will be slow – the current forecast is for an overspend of £54k against a budgeted surplus of £23k.

Canal licences represent the other area of concern – despite a significant uplift in rates chargeable there has been limited increase in income in the opening quarter. The forecast is for there to be some improvement in comparison with 2022/23, but that income will be some £55k below budgeted level.

Engineering Services**(£128,350)****Responsible Officer: Service Lead – Public and Green Space**

The team have been successful in recruiting to most of the vacancies experienced over previous years and can look forward to pursuing both revenue and capital schemes more actively as a result. Funding relating to the proposed demolition of an over-bridge is hoped not to be required in-year giving rise to the forecast underspend at year end.

Domestic Waste Collection**(£438,190)**

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 from being unable to claim from DCC's Share Scheme saving fund, to which we have no eligibility until the scheme achieves 100% coverage.

Waste Chargeable Services	£606,660
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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 whilst new contracts have come online will not meet the income target set for the service. However, Trade Waste continues to generate an operating surplus against the costs associated with delivery. Other income aspects of the service have recovered well since the pandemic and are recovering the costs associated with operational delivery.

8.6 **Finance**

Budget Heading	Over / (Underspend)
Corporate Property – Estates	(£97,310)
Responsible Officer: City Surveyor The Estates Services team have several vacancies in their establishment, leading to a forecast underspend of £154,400. This underspend has been reduced by a forecast overspend in leasehold property maintenance – this figure may potentially increase as the year progresses	
Corporate Property – Assets	(£226,620)
Responsible Officer: City Surveyor 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 delay in the restructure of the Assets team and a lack of resources, this additional budget cannot be utilised at this time. A corresponding overspend has been forecast in the Leisure & Sport management unit. This position may change during the year so will be monitored on a quarterly basis.	
Revenues, Benefits & Customer Access	£95,860
Responsible Officer: Service Revenues, Benefits & Customer Access The financial impact of the proposed pay offer of £1,925 across all grades will cause overspends on the salary budgets.	
Corporate	£67,260

Responsible Officer: Chief Financial Officer

This overspend is predominantly due to an increase of central bank charges. A budget for this will be added in the 2024/25 budget setting process.

Financial Services	£74,000
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Responsible Officer: Deputy Chief Financial Officer

This reported overspend is due to two factors: a £20,000 loss of leasehold flat insurance commission and £54,000 agency resources to provide accountancy support in respect of the Guildhall Shopping Centre. The agency costs will be met from the Guildhall Shopping Centre surplus.

8.7 Corporate Services

Budget Heading	Over / (Underspend)
Legal Services	£39,640
Responsible Officer: Service Lead – Legal Services The overspend is due to a materially adverse revenue forecast for the year, caused by a significant reduction in work carried out especially for ECL. This has been offset by an in-year saving from a vacant post (anticipated to be filled by December 2023) and a reduction in the use of temporary agency staff. There is potential for a new revenue stream to start in-year from carrying out work for other local councils; however, the details are still being worked through therefore nothing has been forecast at this stage. The situation will be reviewed at quarter two.	
Corporate Support	£222,200
Responsible Officer: Director, Corporate Services As in previous years, the shortfall in rental income at the Civic Centre of £335k has led to this under-performance against budget. This has been mitigated slightly by a forecast saving of around £137k for utilities. There is potential for a new tenant to move in; however, this is unlikely to make a material impact against the shortfall. The utilities forecast will be monitored carefully throughout the year to ensure it remains realistic.	

8.8 Other Financial Variations

Budget Heading	Over / (Underspend)
Net interest	(712,540)
Borrowing expected to be taken out early in 2023/24 has been postponed until later in the year/early next financial year due to current prohibitively high interest rates, and this is likely to result in savings in interest payable of £356k. Interest receivable is expected to be £356k more than budgeted due to increased rates on temporary investments and money market funds.	

8.9 General Fund Balance

In 2023/24 it is projected that there will be an overall net contribution from the General Fund Balance of £1,435,040. The minimum requirement for the General Fund working balance which was approved by Council in February 2023 at £3 million.

Movement	2023/24
Opening Balance, as at 01/04/23	£6,151,294
Net	(£1,814,160)
Projected Balance at Year End	£4,337,134

8.10 Supplementary Budgets

It is proposed that the supplementary budgets identified in Appendix 3 are approved and added to the 2023/24 budget.

- £45,640 will need to be funded by the general fund and will reduce the working balance.
- The remaining requests are all self-financing or funded by either CIL or an earmarked reserve and will have no impact on the projected General Fund working balance.

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 2022	March 2023	June 2023
Up to 29 days (current)	£1,154,547	£1,436,904	£2,581,462
30 days – 1 Year	£2,129,058	£1,697,735	£1,166,703
1 – 2 years	£387,330	£1,645,793	£2,010,656
2 – 3 years	£623,164	£199,426	£333,751
3 – 4 years	£280,899	£539,002	£348,240
4 – 5 years	£180,759	£254,721	£460,580
5 + years	£1,136,701	£1,186,130	£1,164,550
Total	£5,892,458	£6,959,711	£8,065,942

8.12 Debt Write-Offs

The following amounts have been written-off during 2023/24:

	2022/23 Total	2023/24 (Qtr 1)

• Council Tax	£160,603	£91,202
• Business Rates *	£487,464	£0
• Sundry Debt	£2,320	£0
• Housing Rents	£70,467	£18,808
• Non-HRA Rents	£76,325	£3,479
• HB Overpayments	£54,507	£36,342

* 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 94.79% for the first three months of 2023/24 compared with 98.6% after the first three months of 2022/23.

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 Members, the Union, the Strategic Management Board (SMB) and the Operational Management Board (OMB) to deliver the work programme which was agreed by Council.

Two reports were presented to Executive in February 2023. One report provided an annual summary of progress against the One Exeter Programme and the second report set out the proposed cost reductions identified for 2023/24. Work has now started on identifying cost reduction proposals for 2024/25. Appendix 5 sets out how the Council is performing against the 2023/24 cost reductions. At the end of quarter 1, it is forecast that £577k of the £3.049m will not be achieved, of which £458k relates to car park income. Car park 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 2024/25 and further budget reductions of £5.1m are required by 2028. Work has now started on identifying cost reduction proposals for 2024/25, which includes the cost reductions identified through the service reviews undertaken in December 2022.

Since the last update, the recently appointed Chief Executive has signalled a shift in focus to deliver on the strategic priority of 'Leading a Well-Run Council'. It is recognised that the One Exeter Programme will be integral to the delivery of this priority and going forward the programme will be structured around the six pillars of leading a Well- Run Council, as set out below:

- A balanced budget;
- Good governance;
- Value-for-money services;
- Customer-focussed services;
- Supported and developed staff and members; and

- Well-managed assets

A key area of work over the remainder of the financial year will be to develop a business case for the creation of single corporate functions for health and safety, enforcement, facilities management and sales and marketing. Having conducted an analysis of how the work is currently delivered, there is strong evidence to suggest that organisational efficiencies and improved customer experience can be achieved through bringing this work together.

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 2023/24.

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

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