

REPORT TO EXECUTIVE

Date of Meeting: 28 November 2023

REPORT TO COUNCIL

Date of Meeting: 12 December 2023

Report of: Director Finance

Title: Overview of General Fund Revenue Budget 2023/24 – 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 2023/24 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 2023 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 September 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 8.10.

The General Fund Working Balance is projected to stand at £3.764 million at year end.

5. Section 151 Officer comments:

Similar to Q1, whilst the overall picture looks to be on track, the shortfall in income, particularly car parking and trade waste remains a 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 continue to be covered by lower than expected utility costs, higher interest receivable 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 is an update report and as such the Monitoring Officer has no issues to raise.

8. Report details:

Overview of General Fund Revenue Budget 2023/24 – Quarter 2

8.1 Financial Summary

FUND	Planned Transfer To/ (From) Working Balance £	Budget Variance Over/(Under) £	Outturn Transfer 2023/24 £
General Fund	(2,405,570)	18,511	(2,387,059)

8.2 General Fund (Appendix 1 & Appendix 2)

The current forecasts show an overall projected overspend of £133,020 against a revised budget of £21,137,380. This includes supplementary budgets of £6,810,960 already agreed by Council. Variances of more than +/- £30,000 are detailed below:

8.3 Chief Executive

Budget Heading	Over / (Underspend)
Affordable Housing Development	£276,940
Responsible Officer: Chief Executive Now that Exeter City Living is being scaled back, there will be no further recharges made to them from ECC. The overspend reflects the impact this will have on the general fund.	

8.4 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	£79,960
<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> <p>There is likely to be a significant overspend in the 2023/24 financial year for City Development. This is primarily due to anticipated consultants fees for an appeal. The total estimated costs range from £56,250 to £61,250.</p>	

8.5 Communications, Culture and Leisure Facilities

Budget Heading	Over / (Underspend)
Culture	(£94,010)
<p>Responsible Officer: Service Lead – Communications, Tourism & Culture</p> <p>£95,000 of the supplementary budget for the Rugby World Cup will not be utilised this year, with the majority of costs being realised in the 24/25 financial year. The outstanding amount will be requested as a new supplementary budget next financial year.</p>	
Markets & Halls	(£212,780)
<p>Responsible Officer: Facilities & Markets Manager</p> <p>Income forecasts are still looking positive for the year, especially at The Matford Centre. Kivell's are anticipating another successful year which has resulted in a projection of £86,000 above the income target, and the car parks are forecast to make £25,000 above budget. There are also forecast savings against utilities in both the Matford Centre and the Corn Exchange, in the region of £87,000. There are 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.</p>	

Museum Services	(£235,150)
<p>Responsible Officer: Museums Manager & Cultural Lead</p> <p>The two main reasons for the under-spend continue to be savings due to staff vacancies and utilities, both of which offset the forecast shortfall in the revenue received from the shop. The situation in the shop is unlikely to change as the cost of living continues to be high</p>	
Leisure & Sport	(£687,650)
<p>Responsible Officer: Director - Communications, Culture & Leisure</p> <p>Despite challenges in staff recruitment, the centres have been working hard to manage the expenditure associated with running the facilities, as well as providing a quality public service.</p> <p>As well as handling an industry-wide shortage of swim and fitness instructors, the centres are still managing the maintenance of the buildings while the Corporate Property Assets team finalise their restructure. This has led to increased costs which is affecting the forecast; a £200,000 underspend is being shown in the Assets team, as this budget is not currently being used. This situation is unlikely to change this financial year; however, it will be monitored and any changes reported in future quarters.</p> <p>Membership patterns are beginning to emerge more predictably along with other sources of income.</p> <p>An under-spend of £100,000 has been forecast in utilities although this figure may change as the winter approaches.</p>	
Communications	(£56,510)
<p>Responsible Officer: Service Lead – Communications, Tourism & Culture</p> <p>Advertising income is very healthy, with a forecast surplus to budget of £69,000. This has been offset by a reduction in recharge income from Exeter City Living; it is forecast that the Communications team will no longer support ECL from the fourth quarter of 23/24 therefore reducing income by £9,750. However, the impact of winding down ECL is not fully understood yet so this will be reviewed at quarter three.</p>	

8.6 Net Zero Exeter and City Management

Budget Heading	Over / (Underspend)
Environmental Protection	(£138,960)
<p>Responsible Officer: Service Lead – Environmental Health & Community Safety</p> <p>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 income from the administrative burden rechargeable to the grant allocation above budgeted levels.</p>	
Licensing, Food, Health & Safety	£220,770
<p>Responsible Officer: Service Lead – Environmental Health & Community Safety</p> <p>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.</p>	
Parking Services	£845,770
<p>Responsible Officer: Service Lead – Net Zero and Business</p> <p>The introduction in mid-May of car park re-zoning was expected to generate additional income, but it is still not anticipated that Car Park charges will reach budgeted levels. 19-20 weeks of data is now available to examine in order to forecast the year end position but; with the skew of budgets towards Quarter 3 it is difficult to assess the year-end position with confidence. At present a shortfall of £500,000 is a prudent estimate. Quarters 1 and 2 achievement of target has improved and is in excess of 96.6% (Q1 95%).</p> <p>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. Quarters 1 and 2 achievement remains only just in excess of 52.3% of budget (Q1 51.8%) and with no history of a steep rise in sales for the remainder of the year, it is prudent to forecast under-achievement at the same rate giving a shortfall of £300,000. Parking permits will be reviewed next financial year to address new trends.</p>	
Waterways	£118,640
<p>Responsible Officer: Service Lead – Harbour Master</p> <p>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 current forecast has improved slightly, for a forecast overspend of £48,000 against a budgeted surplus of £23,000.</p> <p>There has been no change on Canal licences, which represent the other area of concern – despite the significant uplift in rates charged. The steady forecast, for some improvement in comparison with 2022/23 remains, but income will still be some £55,000 below budgeted level.</p>	

Engineering Services	(£305,080)
<p>Responsible Officer: Service Lead – Public and Green Space</p> <p>One off funding for a waterways engineer post will provide support for this to operate for at least three more years, with the available funding reducing each year unless funds from other vacancies are able to be used to sustain it. 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.</p>	
Domestic Waste Collection	(£382,060)
<p>Responsible Officer: Service Lead – Waste, Recycling & Fleet</p> <p>The service has suffered continuing operational difficulties as it struggles to recruit. There also may be some costs attributed to the Recycling Management area caused by a new system for agency staff that will be corrected in Quarter 3. 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 being unable to claim from DCC's Share Scheme saving fund, to which we have no eligibility until the scheme achieves 100% coverage.</p>	
Waste Chargeable Services	£673,160
<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 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.</p>	
Recycling	£268,770
<p>Responsible Officer: Service Lead – Waste, Recycling & Fleet</p> <p>Further pressures within staffing have caused an increase in expected agency spend, but some of this may be due to costs not being attributed to the Domestic Waste Collection cost centres, which are below forecast. Costs of processing co-mingled materials and buy ins of other recyclates have increased forecast costs by £25,000 whilst transportation costs have also increased by £65,000. Recyclates materials did see market fluctuations during the quarter reducing income, however towards the end of the quarter this picked up.</p>	

8.7 Finance

Budget Heading	Over / (Underspend)
Major Projects	(£500,000)
<p>Responsible Officer: City Surveyor</p> <p>This underspend is due to the costs for the bus station demolition being overestimated and the full budget not being required. At this time, there is no indication of the impact from the recent decision to scale back Exeter City Living therefore there may be savings in the ECL Property Support budget.</p>	

Corporate Property – Estates	(£123,730)
<p>Responsible Officer: City Surveyor</p> <p>The situation has not materially changed since quarter 1. The Estates Services team have several vacancies in their establishment, leading to a forecast underspend of £154,400; with the current recruitment situation, this is unlikely to change in the foreseeable future. This underspend has been reduced by a forecast overspend in leasehold property maintenance – this figure may potentially increase as the year progresses. Also at this time, no forecast for the Guildhall shopping centre has been included as the situation there is still uncertain.</p>	
Corporate Property – Assets	(£236,770)
<p>Responsible Officer: City Surveyor</p> <p>This underspend has not materially changed since quarter 1. The non-Leisure budget is anticipated to be used by year-end, with a large proportion of the costs realised in the second half of the year as winter maintenance requirements increases.</p>	
Revenues, Benefits & Customer Access	£255,860
<p>Responsible Officer: Service Revenues, Benefits & Customer Access</p> <p>The financial impact of the proposed pay offer of £1,925 across all grades will cause overspends on the salary budgets.</p> <p>Based on current expenditure we are predicting a £160k overspend due to an even bigger decrease in the recovery of housing benefit overpayments and the increased costs of temporary accommodation which we don't receive full subsidy for.</p>	
Corporate	£70,870
<p>Responsible Officer: Chief Financial Officer</p> <p>This overspend is predominantly due to increases in audit fees and central bank charges. A portion of these increased charges will be recharged to the HRA.</p>	
Unapportionable Overheads	(£68,680)
<p>Responsible Officer: Chief Financial Officer</p> <p>The under-spend is due to a reduction in additional pension allowance payments to Devon County Council; these savings are on-going and will be built into future MTFP. There may be pension strain payments by the end of the financial year but it is too early to forecast the amount at this time.</p>	
Financial Services	£35,500
<p>Responsible Officer: Deputy Chief Financial Officer</p> <p>The forecast overspend is due to two factors: a £20,000 loss of leasehold flat insurance commission and a £29,000 reduction in recharges to Exeter City Living Ltd following the</p>	

Council's decision to reduce the capacity of the company. Forecast savings of £14,000 in employee costs due to vacant posts help to partially mitigate this overspend.

8.8 Corporate Services

Budget Heading	Over / (Underspend)
Elections & Electoral Registration	£62,010
<p>Responsible Officer: Director, Corporate Services</p> <p>There are two factors which contribute to the over-spend in Elections. Maternity leave cover is causing a forecast overspend of £19,000 in Electoral Registration; the remainder is due to the budget reduction that was included in the 23/24 estimates. These reductions, which will continue in future years, will be smoothed in the MTFP.</p>	
Corporate Support	£214,680
<p>Responsible Officer: Director, Corporate Services</p> <p>The shortfall in rental income at the Civic Centre continues to be the predominant reason for the overspend of £214,680. £127,000 underspend in utilities has been forecast at this point although this will be subject to change, depending on the heating requirements during the winter. There may also be potential for smaller savings in supplies and services but these will be immaterial and unlikely to make a favourable impact on the overspend</p>	

8.9 Other Financial Variations

Budget Heading	Over / (Underspend)
Net interest	(549,789)
<p>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 £714k. Interest receivable is expected to be more than budgeted due to increased rates on temporary investments and money market funds, although interest will not be received from ECL on the repayments of loans.</p>	

8.10 General Fund Balance

In 2023/24 it is projected that there will be an overall net contribution from the General Fund Balance of £2,387,059. 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	(£2,387,059)
Projected Balance at Year End	£3,764,235

8.11 Supplementary Budgets

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

- £19,750 will need to be funded by the general fund and will reduce the working balance.
- The remaining request is funded by 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 2022	March 2023	September 2023
Up to 29 days (current)	£1,154,547	£1,436,904	£1,618,443
30 days – 1 Year	£2,129,058	£1,697,735	£2,909,347
1 – 2 years	£387,330	£1,645,793	£361,652
2 – 3 years	£623,164	£199,426	£118,229
3 – 4 years	£280,899	£539,002	£113,080
4 – 5 years	£180,759	£254,721	£275,859
5 + years	£1,136,701	£1,186,130	£314,655
Total	£5,892,458	£6,959,711	£5,711,265

8.13 Debt Write-Offs

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

	2022/23 Total	2023/24 (Qtr 2)
• Council Tax	£160,603	£149,374
• Business Rates *	£487,464	£0
• Sundry Debt	£2,320	£2,238
• Housing Rents	£70,467	£32,336
• Non-HRA Rents	£76,325	£29,906
• HB Overpayments	£54,507	£99,113

* 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 95.45% for the first six months of 2023/24 compared with 97.62% after the first six 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.

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 2, it is forecast that £598k of the £3.049m will not be achieved, of which £468k 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 Chief Executive and Strategic Management Board has held a series of 'All Staff Meetings' to set out the council's focus and priorities over the coming year. During the meetings, the Chief Executive has talked about the One Exeter Programme including the work that has been done to support employee wellbeing, the response to the staff survey, the introduction of revised values and behaviours and a new performance and development review process.

Staff were also informed that 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.

The meetings have also been used to socialise staff with the work that continues to improve the customer experience. This includes developing a cohesive approach to understanding the needs of customers and residents. During September 2023, the council launched a consultation to seek feedback on its draft Digital Customer Service Strategy. The outcome of the consultation along with the draft Digital Customer Service Strategy will be brought to committee later in the year.

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.

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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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