

# Cabinet

21 July 2021

**Report of:** Councillor Ronnie de Burle -  
Portfolio Holder for Corporate  
Governance, Finance and  
Resources



## General Fund Revenue and Capital Outturn 2020-21

<b>Corporate Priority:</b>	Ensuring the right conditions to support delivery (inward)
<b>Relevant Ward Member(s):</b>	N/A
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No
<b>Key Decision:</b>	No
<b>Subject to call-in:</b>	No Not key decision

### 1 Summary

- 1.1 To provide Members with information on the provisional year end for General Fund services and to provide information on the implications on the Council's balances and reserves. After taking into account the allocation to reserves and other adjustments the surplus for the year of £162k will be carried forward and added to the covid contingency budget in 2021-22. With regard to Special Expenses Melton Mowbray the net underspend is £19k after allowing for carry forwards. The final position is still subject to external audit approval for 2020-21.
- 1.2 In relation to the General Fund capital programme against the original budget of £1,315k, the provisional outturn is at £462k resulting in an underspend of £853k, of which £836k will be carried forward into 2021-22.

### 2 Recommendations

#### That Cabinet:

- 2.1 Notes the provisional year end position, variations to the 2020-21 approved budget and the resultant effect on the Council's balances and reserves for the General Fund and

Special Expenses as set out below and in the attached Appendices for both revenue and capital.

- 2.2 That the £162k budget surplus for general expenses be carried forward into 2021-22 and added to the Covid contingency budget.

### 3 Reason for Recommendations

- 3.1 It is important that Cabinet are aware of the financial position of the General Fund to ensure they can make informed decisions that are affordable and financially sustainable for the Council.

### 4 Background

#### 4.1 GENERAL FUND

- 4.1.1 A balanced budget was set for 2020-21 and the table below shows the impact of the provisional year end against the latest approved budget.

	<b>Budget</b>	<b>Provisional Year End Position</b>	<b>Variance to Budget (Underspend) / overspend</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Original Budget	5,105	-	-
Approved c/fwds 2019/20	122	-	-
Supplementary Estimates	29	-	-
Revised Budget	<b>5,246</b>	4,355	(891)
Transfer to reserves	(60)	(60)	0
<b>Total Net expenditure</b>	<b>5,306</b>	<b>4,415</b>	<b>(891)</b>
<b>Total funding</b>	<b>(4,840)</b>	<b>(4,840)</b>	<b>0</b>
<b>Net Surplus (-) / Deficit for year</b>	<b>466</b>	<b>(425)</b>	<b>(891)</b>
<b>Funded by</b>			
C/fwd Reserve	(122)	<b>(122)</b>	0
Regeneration and Innovation Reserve	(100)	<b>(5)</b>	95
Corporate Priorities Reserve	(244)	<b>0</b>	244
Overall net position	0	<b>(552)</b>	<b>(552)</b>
Less c/fwds into 2021/22	0	<b>390</b>	<b>390</b>
<b>Overall Surplus (-) / Deficit for year</b>	<b>0</b>	<b>(162)</b>	<b>(162)</b>

- 4.1.2 The original net expenditure budget in respect of the General Fund for 2020-21 prior to council tax and grant funding was set at £5.095m, which was subsequently updated to an approved budget of £5.246m. The increase takes into account the budgets brought forward from the previous financial year (£122k) and subsequent approvals funded from reserves to support initiatives identified in year (£29k).
- 4.1.3 The initial net budget for 2020-21 before allocated funding from reserves was £466k which after allowing for the movements in reserves and other adjustments maintained a balanced budget for 2020-21 as shown from the overall net position in the table above.
- 4.1.4 The provisional year end position shows a net surplus of £425k which is an underspend of £891k when compared to the latest approved budget. After taking into account that a large portion of the reserves are no longer needed to meet the actual spend the overall provisional net position for 2020-21 is a surplus of £552k.
- 4.1.5 After, allowing for the carry forward amount into 2021-22 of £390k the overall surplus for the 2020-21 financial year is £162k. As a result of the ongoing pressure on the budgets it is recommended that this surplus is carried forward into 2021-22 and added to the Covid contingency budget. This is due to the ongoing uncertainty regarding Covid expenditure and more concerning reduced income levels in some service areas. The governments income support scheme ended at the end of June 2021 and income levels are still lower than pre covid in some areas. The latest extension to the restrictions is not assisting with this recovery. Support for the leisure centre also continues and until restrictions are eased and levels return to a post covid normal the full impact will not be known. In addition there is pressure from the pay award with a current offer of 1.5% from the employers which was not budgeted for and a key risk highlighted when the budget was set This will enable there to be full flexibility to respond to areas of need.
- 4.1.6 The key reasons for the underspend against the net income and expenditure budget of £891k can be categorised as follow:
- Controllable service underspend, as set out in Appendix A - £405k
  - Budget reductions identified early in the 2020 financial year as a response to the covid pressures, prior to the additional government support being known - £467k
  - Lower Internal recharges between funds £19k
- 4.1.7 During the course of the year and as part of the Councils initial response to the Covid funding pressures and uncertainty a full review of budgets was undertaken to identify savings to help mitigate the financial impact and ensure the immediate risk to the Council's finances was addressed. This resulted in a number of budget reductions which were ringfenced to help meet funding pressures.
- 4.1.8 There are a number of internal recharges which are processed as part of the year end closedown process which resulted in a movement of £19k compared to the original budget including the recharge of Covid costs to the HRA and Special expenses.
- 4.1.9 The remaining underspend relates to those budgets which are controlled by budget holders within service areas, and this is summarised in Appendix A. As part of the Council's flexible budget monitoring processes budgets are updated throughout the year to take into account supplementary estimates, virements and budget reductions creating an approved budget for budget holders to work within. As part of the budget monitoring and review process all budget holders have been requested to provide an explanation of

significant variations against their approved budget on individual services. Brief comments summarising the reasons for any budget variations for items which are within the budget holder's control have been included against the relevant service line. Only those in excess of £10k have been commented on. There are some key variances we would draw members attention to which are outlined below.

4.1.10 Also, included for information is the level of carry forwards previously approved by the Portfolio Holder for Corporate Finance, Governance and Resources which totalled £390,130. Following the completion of provisional accounts it can be confirmed the carry forward amounts remain the same and no alterations have been required for the final balances.

#### 4.1.11 KEY VARIANCES

##### 4.1.12 General Fund – Underspends

- **Homelessness (£18k)** – Vacancy for the team leader options post. The majority of homelessness spend was charged directly to Covid which totalled £251k which is significantly more than the budget provision of £111k set for 2021-22, which could present a risk moving forward.
- **ICT (£168k)** - Delay in planned activities such as server replacements, changes to Microsoft licencing and end user equipment changes. A carry forward of £123k has been approved so these projects can be completed in 2021-22.
- **Finance System (£68k)** - The finance system project straddles financial years with phase 1 completed in early 2021 and phase 2 still to come. The budget will be carried forward to support delivery of these elements.
- **Communications (£50k)** - Health and Safety Officer vacancy. Also delay to the website project with funding being carried forward to enable completion in this financial year.
- **Waste Management (£52k)** – Underspend due to a reduced level of Variation Orders throughout the year and lower inflationary increase than budgeted. Income is also significantly higher due to 2 factors. Bulky waste subscriptions were higher than budget and increased income for replacement and new bins, partly as a result of additional new development charges.
- **Environmental Maintenance (£75k)** – Number of vacant posts from December 2020 onwards, coupled with an underspend on premises related costs due to the reduced capacity of the team as a result of Covid19 from March to September 2020.
- **Growth and Regeneration (£56k)** - Salary savings due to vacant posts. Professional fees underspend required in 2021-22 for shared climate change officer post with Oadby & Wigston, Baseline study for carbon emissions, Health & Safety policy framework and contribution towards the costs of preparing masterplan/ vision document for bidding for levelling up fund.

##### 4.1.13 General Fund – Overspends

4.1.14 One of the key impacts of Covid over the past year is the lost income totalling £1.115m from a number of key income streams, again predominantly attributable to Covid, the main elements of which are highlighted below:

- **Council tax summons fees (£25k)** – as a result of Covid, the courts are not operating for council tax summons cases. Therefore, the recovery of legal fees for costs incurred for issuing summons wasn't achieved;
- **Waterfield Leisure Centre (250k)** – Loss of Management Fee income as a result of Covid19 following closure of leisure centres; the council has also provided subsidy support as part of the council's partnership with SLM to ensure ongoing availability and provision of leisure services. This subsidy has been charged directly to Covid service code. This has been partly covered by the income guarantee scheme and specific sports England funding for restarting of leisure services.
- **Car Parks (£499k)** – Income shortfall including season tickets and enforcement;
- **Development Control (£145k)** – Income shortfall on planning fees;
- **Building Control (£33k)** – Income shortfall;
- **Industrial Units (£16k)** – shortfall on rental income due to vacant units;
- **Investment Income (£22k)** – due to reduction in interest rates investment returns are lower than budgeted.

4.1.15 The other key general fund overspends in addition to reduced income are:

- **Rent rebates / Allowances (£37k)** - Covid has caused a huge number of changes across the year as there have been many more claimants out of work, as a result, the % subsidy levels were overall higher in comparison to those used in the budget. However, this has been offset by an increase in the sundry debtors bad debt provisions in year due to the level of debt and secondly overpayment recovery income is down as there have been fewer invoices raised in the year.
- **Customer Services (£49k)** – There has been of ICT related overspends which have contributed to this variance linked to the IEG4 project and change in systems along with legislative system changes required on Northgate.
- **Corporate Management team (£29k)** – The savings target of £50k wasn't achieved in year which has been partly offset by the Director vacancy.
- **Parkside (£36k)** – This is mainly down to the repository savings of £20k not being realised in year plus a shortfall in income due to the reduction of hires and wedding ceremonies due to covid which has been included in the Income Compensation scheme.

## 4.2 COVID IMPACT

4.2.1 As part of the council's initial response to the pandemic and to help monitor the financial impact a specific Covid service code was set up to support this. This service accounts for all Covid income and expenditure including the income cover grant funding which is offsetting the income shortfalls on other service lines such as car parks as outlined in para 4.1.14. In terms of Covid expenditure charged directly to this service this covered areas such as increased B&B charges in support of homelessness and financial support to the leisure provider.

4.2.2 The table below provides a summary of the impact on the council's finances in 2020/21 due to covid.

<b>SUMMARY FINANCIAL IMPACT</b>	
	Estimated full Year Impact
Income Stream Loss	£1,114,900
Income Cover	-£666,376
<b>Net Income loss</b>	<b>£448,524</b>
Additional Spend	£659,213
Savings not achieved	£70,000
Less Government funding (Tranche 2, 3 and 4)	-£675,012
<b>Net Additional Expenditure</b>	<b>£54,201</b>
total Net Impact to Cover	<b>£502,726</b>
<b>Other Covid Support Funding</b>	<b>£434,559</b>
<b>Net Covid impact</b>	<b>£68,167</b>

4.2.3 As set out in para 4.1.7 early in the Covid response there was great uncertainty regarding the financial support that would be provided by the government. Indeed, allocation of certain funding such as new burdens funding was very late to be received and some way after the work was accommodated within additional resources. This has created a considerable backlog in some service areas which will need to be addressed moving forward. The savings identified due to this uncertainty which has contributed to the large overspend puts the council in an improved financial position and will help not just with future financial resilience but also the financial implications that are likely to arise as the council deals with the backlog of work.

#### 4.3 SPECIAL EXPENSES

4.3.1 A balanced budget was set for 2020-21 and the table below shows the impact of the provisional year end against the latest approved budget for Special Expenses (Melton Mowbray):

	<b>Budget</b>	<b>Provisional Year End Position</b>	<b>Variance to Budget (Underspend) / overspend</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Original Budget	614	-	-
Approved c/fwds 2019/20	13	-	-
Revised Budget	627	591	(36)
Non-service related expenditure	(98)	(98)	0

<b>Total Net expenditure</b>	<b>529</b>	<b>493</b>	<b>(36)</b>
<b>Total Funding</b>	<b>(516)</b>	<b>(516)</b>	<b>0</b>
<b>Net Surplus (-) / Deficit for year</b>	<b>13</b>	<b>(23)</b>	<b>(36)</b>
<b>Funded by</b>			
C/fwd Reserve	(13)	<b>(13)</b>	0
Overall net position	0	<b>(36)</b>	<b>(36)</b>
Less c/fwds into 2021/22	0	<b>17</b>	<b>17</b>
<b>Overall Surplus (-) / Deficit for year</b>	<b>0</b>	<b>(19)</b>	<b>(19)</b>

- 4.3.2 The net revenue expenditure in respect of Special Expenses (MM) for 2020-21 was originally estimated at £614k, which was subsequently updated to an approved budget of £627k. The increase took into account allowing for budgets brought forward from the previous financial year (£13k). After taking into account the use of reserves to fund carry forwards from 2019-20 there is a variance against the approved budget of £36k surplus of which £17k is being carried forward into 2021-22, resulting in a £19k surplus which can be transferred to the Special Expenses Reserve an increase over the approved budget.
- 4.3.3 The main reason for the underspend is on Open Spaces (£21k). This specifically relates to non-capital works for Country Park improvements and planned upgrading of play areas which were not possible throughout the pandemic due to staffing shortages.
- 4.3.4 The net position on the closed Churchyards of Spoxton, Frisby and Gaddesby are summarised in Appendix A.

#### 4.4 RESERVES AND BALANCES

- 4.4.1 The working balances for both the General Fund and Special Expenses (MM) remain unchanged at £640k and £50k respectively.

In terms of the key specific reserves affected by the provisional outturn these are summarised in the table below:

<b>Specific Reserves</b>	<b>Corporate Priorities Reserve Budget</b>	<b>Corporate Priorities Reserve Actual</b>	<b>Special Expense Reserve Budget</b>	<b>Special Expense Reserve Actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance as at 31 <sup>st</sup> March 2020	1,062	1,071	280	348
Contribution from / to (-) Revenue Account	(213)	0	0	36
<b>Balance @ 31<sup>st</sup> March 2021</b>	<b>849</b>	<b>1,071</b>	<b>280</b>	<b>384</b>
<b>Less:</b>				



Budgeted changes to Reserves 2021-22	0	0	(30)	(30)
<b>Estimated Position @ 31<sup>st</sup> March 2022</b>	<b>849</b>	<b>1,071</b>	<b>250</b>	<b>354</b>

4.4.2 As a result of the above, the balance on the Corporate Priorities Reserve is estimated to be £222k more than that estimated when the original budget was set and £105k more than the estimate reported to members in February 2021 when the 2021-22 budget was set where balance of £996k was anticipated. This is due to the budgeted draw on the corporate priorities reserve no longer required due to underspend with some of the underspend being reported as part of the 2021-22 budget setting report

4.4.3 For Special Expenses (MM) as a result of the figures in the table above, the balance on the Special Expenses Reserve is estimated to be £104k which is a result of the increase in the previous years underspend and the in year underspend for 2021-22. This is £32k higher than that reported to the Council in February 2021 (£322k). The difference on the Reserve can be accounted for as a result of the underspend during the year which was originally forecast to be £4k.

#### 4.5 GENERAL FUND CAPITAL

4.5.1 In relation to the General Fund capital programme against the original budget of £1,315k, the provisional outturn is at £462k resulting in an underspend of £853k, of which £836k will be carried forward into 2021-22.

4.5.2 Appendix B provides an overview of the main variances which are summarised in the table below:

Project	Underspend £'000	Amount To Carry Forward To 21- 22	Reason
Disabled Facilities Grants (Private Sector Mandatory)	412	412	Not all monies received have been required to date. Works have been identified but have not commenced but until a full assessment has been taken.
EMT Vehicle/Frontline Service Machine replacement	50	50	A review is underway of vehicles to be replaced and a business case is to be put forward which will include looking at electrical vehicles options.
Lake Terrace Waste Depot Refurbishment	31	31	Consultants are looking at a design with options to solve the drainage issues and works will commence in the next financial year and run over a period of 6 -9 months.
Melton Country Park Pathworks	41	41	Project is ongoing but with no expenditure yet whilst



			consultants finalise preparatory stages of the constructions of the path.
Asset Development Programme	285	285	Work not yet started. This is a long term project linked to LLEP funding which will continue in 2022

## 5 Main Considerations

- 5.1 Considerations have been addressed in paragraph 3 to this report

## 6 Options Considered

- 6.1 No other options considered as If the report was not provided councillors would not be aware of ongoing developments and therefore would not be able to represent their residents effectively

## 7 Consultation

- 7.1 The statement of accounts (subject to audit) which includes the General Fund revenue out-turn position will be advertised from 1st August to 12th September 2021 as available for public inspection on the website and the auditors available to answer questions.

## 8 Next Steps – Implementation and Communication

- 8.1 The provisional out-turn as part of the draft statement of accounts will be considered by the Audit and Standards Committee at its meeting on the 28 September 2021.
- 8.2 External Audit will be undertaking their independent assessment of the council's financial statement position and accounts production as part of the statutory duties through the audit process. Audit have yet to confirm when the audit will be taking place

## 9 Financial Implications

- 9.1 In summary, taking into account carry forwards, the 2020-21 end of year position has resulted in an underspend on general expenses which has led to a higher balance on the Corporate Priorities Reserve than was estimated when the original budget was set due to their being no need to draws on the reserve to fund a portion of the budget. In addition, it is proposed that the surplus of £162k is carried forward into 2021-22 to provide for flexibility in managing the ongoing financial impacts of the pandemic. An underspend of £32k is estimated for Special Expenses which will result in an increased reserve in this area.
- 9.2 The current economic climate continues to prove challenging for the Council in terms of financial management and is currently in a period of great uncertainty due to the ongoing funding review and even more pressing, the continued impact of Covid. The council has

been monitoring closely the financial impact of Covid in terms of both additional expenditure being incurred and income shortfalls, liaising with Government to access funding on offer through specific grants and direct support through the expenditure support grants and income guarantee scheme. In addition a pay award was not expected to be made in 2021-22 and was therefore not budgeted for based on previous government intentions. This is now not the case and therefore this creates a pressure in 2021-22 from unexpected additional costs.

- 9.3 Further information regarding the draft Statement of Accounts and the Narrative Statement will be presented to the Audit and Standards Committee at its meeting on the 28 September 2021. The Narrative Statement will provide more organisational oversight of the achievements in 2020-21, focus for the coming year and challenges that lie ahead including the impact and recovery phase of Covid.
- 9.4 In terms of the capital programme the majority of the underspend will be carried forward into 2021-22 due to the delay in projects being delivered during 2020-21.
- 9.5 The Council's medium term financial strategy approved in February 2021 when the budget for 2021-22 was approved provides forward forecasts for the next 3 financial year. These indicate a deficit of £847k rising to £1,251k in 2024-25 as a result of inflationary pressures, demand and service changes. There is also considerable uncertainty regarding the future uncertainty of government funding for local authorities and the risk of changes to the business rates retention formula which could see significant sums of retained business rates being lost. As a result of this the council has initiated a financial sustainability programme to identify potential savings/income raising options in order to mitigate this risk. However there remains a significant risk regarding future financial sustainability.

**Financial Implications reviewed by: Dawn Garton, Director for Corporate Services**

## **10 Legal and Governance Implications**

- 10.1 There are no specific legal implications associated with this report

**Legal Implications reviewed by: Kieran Stockley, Monitoring Officer**

## **11 Equality and Safeguarding Implications**

- 11.1 Equalities and Safeguarding issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report

## **12 Community Safety Implications**

- 12.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report

## **13 Environmental and Climate Change Implications**

- 13.1 No implications have been identified

## 14 Other Implications (where significant)

14.1 No other implications have been identified

## 15 Risk & Mitigation

15.1 The Council's Chief Financial Officer has a duty under the Local Government Act 2003 in setting the budget to comment on the robustness of the estimates and the adequacy of the reserves. This requires that effective budget monitoring procedures are set in place to monitor expenditure and income against the budget and careful consideration is given to determining the level of reserves.

15.2 It is still early in the 2021-22 financial year for budget monitoring but with the continued impact of Covid, even with any easing of restrictions there is going to be a significant challenge to maintain the balance budget that was set by Council in February 2021. Government are providing some support in 2021-22 but at the present time this is for Q1 which is unlikely to be sufficient as the return to normal by the end of June is unlikely. The Council is continuing to lobby for additional funding and has worked with the LGA during 2020-21 to highlight the pressure the Council is under and forward projections. The carry forward of the underspend to the covid contingency budget will assist in mitigating these risks.

15.3 There are a number of financial pressures and uncertainties which could affect the estimates particularly in future years and collectively these indicate significant financial pressure on the council's resources. The forward projections have been subjected to sensitivity analysis in light of the potential risks associated with particular items and assumptions. These do indicate potential wide fluctuations in any year which could see the likely surplus/deficit being substantially different to that expected. This emphasises both the high level and impact of the risks that face the Council's finances in the future. In recognition of the significance of these risks there is a risk contained within the Council's corporate risk register relating to finance as referred to in the risk table below. As a corporate risk an action plan is in place and is actively managed, linked to the development of the budget sustainability programme which is currently being developed.

Risk No	Risk Description	Likelihood	Impact	Risk
1	Risk of failing to secure financial stability in the medium term including managing the financial impact of COVID-19	High	Critical	High Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High			1	
	4 Significant				
	3 Low				
	2 Very Low				
	1 Almost impossible				

## 16 Background Papers

16.1 None

## 17 Appendices

17.1 Appendix A – General Fund Revenue Provisional Year End Position 2020-21

17.2 Appendix B – General Fund Capital Provisional Year End Position 2020-21

<b>Report Author:</b>	<b>David Scott</b> , Corporate Services Manager
<b>Report Author Contact Details:</b>	01664 502448 dscott@melton.gov.uk
<b>Chief Officer Responsible:</b>	<b>Dawn Garton</b> , Director for Corporate Services
<b>Chief Officer Contact Details:</b>	01664 502444 DGarton@melton.gov.uk