

Cabinet

8 September 2021

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



General Fund and Special Expenses Budget Monitoring 1 April 2021 to 30 June 2021

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

1 Summary

1.1 As part of the Council's budget monitoring procedures all budget holders are asked on a quarterly basis to provide details of service and financial performance. Copies of the budget holders' returns are available for further information.

1.2 As at 30th June budget holders are forecasting the following under/overspends against their 2021/22 revenue budgets:

General Fund	£120k	Underspend
Special Expenses Melton Mowbray	£4k	Overspend
Special Expenses Frisby	£1k	Overspend

On the general fund there is a gross £320k overspend for 2021/22 forecast across all services. This overspend is offset by Government funding and a specific contingency budget to cover additional costs and loss of income relating to Covid-19 resulting in an underspend of £120k. This forecast is based on best estimates of the likely grant from the income compensation scheme and makes no allowances for losses from council tax, NNDR and other bad debts.

- 1.3 In relation to capital budgets, budget holders are projecting the spend to be in line with budget at the year end so no variance has been forecast.
- 1.4 In addition to formal quarterly reporting to Cabinet, the revenue budget position is reported monthly to the Senior Leadership Team. This is to ensure any early warnings that highlight pressures can be collectively resolved.

2 Recommendation

2.1 That the year end forecast and financial position for the General Fund and Special Expenses at 30th June 2021 be noted for both revenue and capital.

3 Reason for Recommendations

- 3.1 The Council, having set an agreed budget at the start of the financial year, needs to ensure that the delivery of this budget is achieved. Consequently there is a requirement to regularly monitor progress so that corrective action can be taken when required, which is enhanced with the regular reporting of the financial position.

3.2

4 Background

4.1 Overall Position at 30 June 2021:

- 4.1.1 A summary of the total income and expenditure for the General Fund and Special Expenses revenue budget compared to the approved budget at 30 June 2021 is as follows:

SUMMARY OF INCOME AND EXPENDITURE APRIL TO JUNE 2021

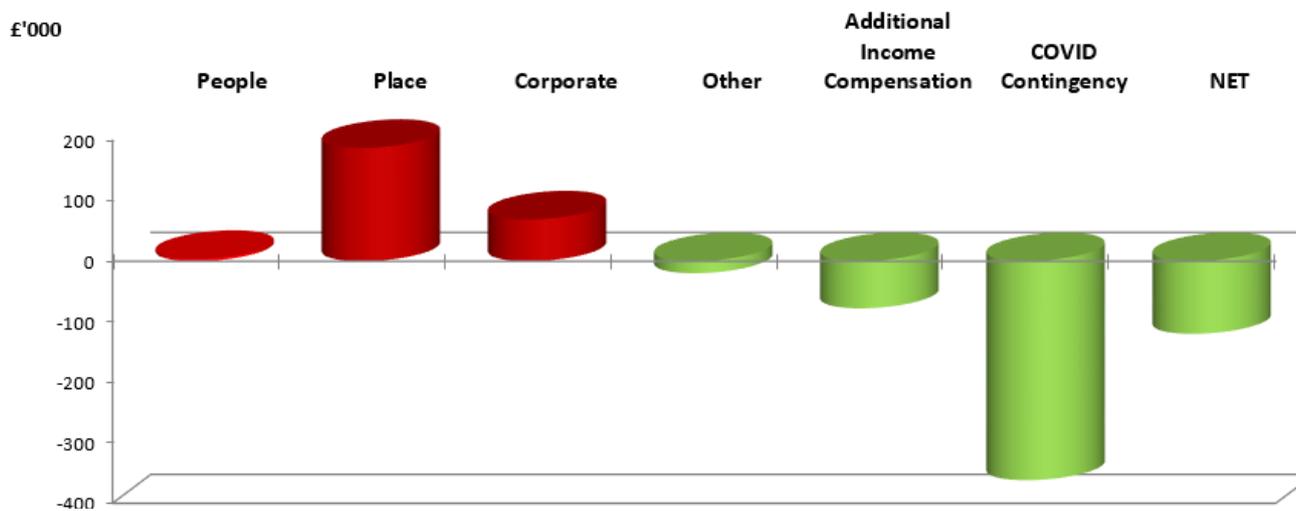
	Approved Budget at June '21 £'000	Year End Forecast £'000	Year End Variance* £'000
GENERAL FUND			
Portfolio:			
People	1,521	1,525	4
Place	4,101	4,288	187
Corporate Priorities	1,242	1,311	69
All - Pay Award	0	80	80
Total Service Cost - All Portfolios	6,864	7,203	340
Other Expenses	(3,911)	(3,931)	(20)
Additional Income Compensation	0	(78)	(78)
COVID Contingency Budget	0	(362)	(362)
Net Expenditure Requiring Funding	2,953	2,832	(120)
Funded by:			
Ctax, NNDR, NHB and General Grants	(2,350)	(2,350)	0
Corporate Reserves**	(603)	(603)	0
NET UNDER/OVERSPENDING*	(0)	(120)	(120)

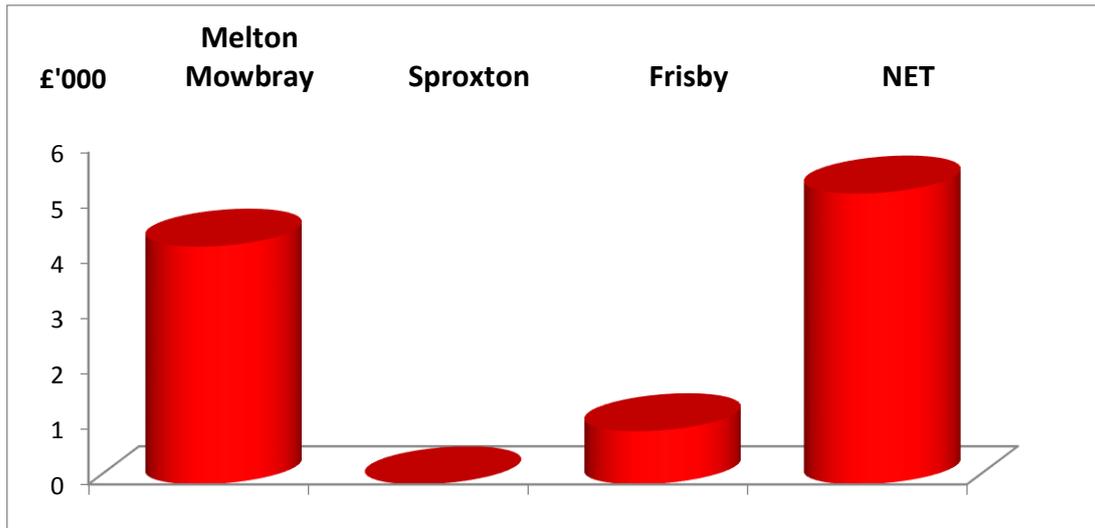
SPECIAL EXPENSES			
Melton Mowbray	624	628	4
Sproxtton	6	6	0
Gaddesby	8	8	(0)
Frisby	6	7	1
Total Service Costs - Special Expenses	636	641	5
Other Expenses	(102)	(102)	0
Net Expenditure Requiring Funding	534	539	5
Funded by:			
Council Tax	(491)	(491)	0
Carry forwards	(17)	(17)	0
Reserves**	(26)	(26)	0
Total Funding	(534)	(534)	0
NET UNDER/OVERSPENDING*	(0)	5	5

* Underspending (-), Overspending (+)

** Use of Reserves (-) Contribution to Reserves (+)

Over/Under Spending by Category





5 Main Considerations

- 5.1 There are a number of reasons for the estimated overspend (before taking into account Covid funding) which includes the ongoing impact of Covid on the council's finances as a result of increased expenditure, as well as reduced income streams in a number of areas. The level of expenditure required to support Covid initiatives has reduced from the peak of the pandemic but ongoing income reductions are still being seen especially in areas such as car parking. The council has received one further unringfenced tranche 5 grant funding to cover expenditure for the first quarter of 2021/22 but no further general funding is expected. Alongside this the income compensation scheme has continued this year but again this is only in place to cover losses in the first quarter of 2021/22.
- 5.2 One of the other main variances shown in the figures above is the impact of the pay award being included for the additional costs which is now expected to be 1.75% rather than the 0% that was budgeted for. This risk was considered by Members when the budget was set. The key variances are summarised in para 5.5 below.
- 5.3 The impact of these variances results in an initial overspend of £320k before allowing for the income guarantee scheme grant (note this has yet to be submitted so is the best estimate at present) and the full use of the tranche 5 Covid grant plus the carry forward amount agreed as part of the underspend from 2020/21. Assuming full use of all these funding resources results in a potential underspend of £120k.
- 5.4 Therefore, this financial year will continue to be a challenge to ensure the budget remains balanced and the council will continue to explore all grant funding opportunities and work with budget holders to identify any further in year savings.
- 5.5 The main variances within the figures above are as follows:

People Portfolio:

- Case Management – There are savings from a vacant post of £23k
- Customer Services – There are savings from two vacant posts of £41k

- Rent Rebates and Rent Allowances – Latest subsidy predictions are showing an overspend of £40k. This will be later refined when the mid-year subsidy return has been completed
- Homelessness – An overspend of £26k is forecast relating to additional pressures on resources however a review is being undertaken in this area and this is likely to be refined.

Place Portfolio:

- Car Parks – The impact of Covid-19 saw a shortfall in income of £100k for Q1 compared to budget. Officers have modelled the remainder of the year on a 20% shortfall each month leading to a £199k shortfall forecast at year end
- Cattle Market – income expected to exceed budget by £35k, mainly due to animal auctions, based on April and May actuals

Great Council Portfolio:

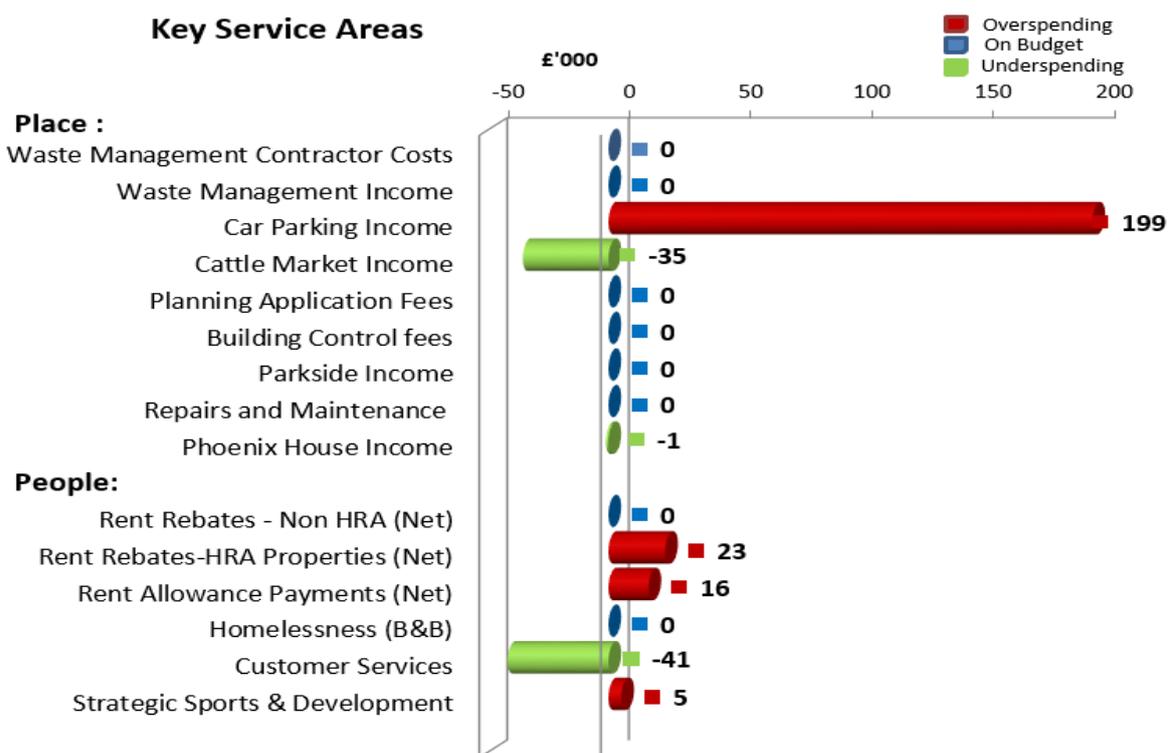
- Corporate Improvement Team – There are savings from a vacant post of £18k
- Council Tax Collection - £26k shortfall in grant expected due to the Local Tax Income Compensation scheme estimate being different to actual received following a change in methodology applied by MHCLG

Other:

- Pay award – £80k overspend forecast following the latest pay negotiations showing an expected 1.75% increase against a budgeted 0%

5.6 Key Service Areas

The Key Service Areas report as at the end of June 2021 for all services is attached at Appendix A. This report is presented to the Senior Leadership Team on a regular basis and highlights high risk budgets that were identified as part of the Council's budget protocols. These budgets are reviewed with budget holders monthly. Those budgets which are more complex in nature are supported by more detailed analysis of the service usage that drives the financial position. The Key Service Areas are summarised below:



5.7 Special Expenses

The predicted year end position for Special Expenses-Melton Mowbray is an overspend of £4k mainly due to £1.5k WAN costs at the childrens centres, which are being investigated, and £2.8k in relation to utilities invoices received re the cemetery and the cemetery lodge being vacant with council tax costs incurred.

There is a minor £1k overspend at the closed churchyard Frisby due to health and safety works relating to the urgent removal of a tree. Whilst a modest amount financially, when taken into account the number of properties in the area this could have a significant impact when the council tax is set for 2022/23.

5.8 Overall Capital Position at 29 July 2021

The capital programme summary is attached at Appendix B and shows the latest spend forecast of £1.568m against the same budget which is also summarised in the table below

	Total Budget 21- 22 (£'000)	Actual April 21 to 29 July 21 (£'000)	Year End Forecast (£'000)	Variance (-) = Underspend (£'000)
Great Council	261	67	261	0
People	1605	56	1605	0
Place	607	7	607	0
Total General Expenses	2,473	130	2,473	0

The key areas to note are:

- Great Council – Most projects are yet to fully commence this financial year. However, the Council Chamber AV Equipment project is complete.
- People – the main capital scheme for this priority relates to DFG spend which is ongoing and is managed by Blaby District Council with awards and works continuing throughout the year. In 21-22 £111k of the grant funding has been top sliced to enable extending the Housing Occupational Therapist and Hoarding Project, plus an additional occupational therapist post on a temporary basis and commencing the Assistive Technology and Dementia pilot. The recent decision notice for the LAD 2 and 3 funding has been included in the capital budget however, there may be a revenue element for which budgets will be adjusted accordingly at a later date.
- Place - Most projects are yet to fully commence this financial year. However, the Country Park pathworks project is complete.

6 Options Considered

- 6.1 No other options considered. If the report were not provided Councillors would not be aware of on-going developments and therefore would not be able to represent their residents effectively.

7 Consultation

- 7.1 The service accountant and budget holders discussed the financial performance of the services at the budget monitoring meetings during July.
- 7.2 The report has also been reviewed with the Portfolio Holder Corporate Governance, Finance and Resources.

8 Next Steps – Implementation and Communication

- 8.1 The Council's budget position will continue to be monitored at future Strategic Leadership Team meetings and further reports will be presented to Cabinet each quarter.

9 Financial Implications

This is the Quarter 1 budget monitoring report that provides information on the forecast outturn for the Council for 2021-22. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Cabinet, the financial position is reported regularly at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year.

- 9.1 The overall forecast impact of covid-19 on the Council's finance is as follows:

SUMMARY FINANCIAL IMPACT	Estimated full Year Impact £'000
COVID Spent / Impact	72
Net Income losses	164
	<hr/>
	236
Income Cover scheme	-128
Net Impact of COVID	108
Covered by:	
COVID contingency budget	-200
COVID carry forward	-162
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	-254
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- 9.3 When considering the impact of COVID on the Council's finances, the above calculation shows a net impact of £108k cost which can be met from the Covid contingency budgets provided through the tranche 5 funding and the carry forward from 2020/21. £50k income from the compensation scheme was already budgeted for and when this is taken into account alongside the non-covid overspend of £84k (primarily from the impact of the award) this results in the overall £120k underspend set out in the table in 4.1.1.
- 9.2 Officers are closely monitoring the financial position on a monthly basis. The latest review as at the end of July for period 4 indicated a slightly reduced underspend of £84k now being forecast mainly due to budget reductions being processed of £44k re vacant posts.
- 9.3 It should also be noted that the overspend on Melton Mowbray special expenses has increased to £11k at period 4 monitoring to reflect the loss of income as a result of the cemetery lodge being vacant.

- 9.4 As outlined above the current position still remains uncertain and whilst officers have based their forecast predictions based on best available information there could be further impacts later in the year.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

- 10.1 The report concerns the duty of the Council to avoid a budget shortfall. The Chief Finance Officer has a personal duty under the Local Government Finance Act 1988 Section 114A to make a report to the executive if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources available to it to meet that expenditure.

Legal Implications reviewed by: 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

The risks relating to additional costs and shortfalls in income as a result of Covid-19 will continue for the foreseeable future. This is added to the existing strategic risk as set out in the table below caused by the future uncertainty surrounding government funding with the planned review of local government funding which has been delayed further due to covid.

The possible failure to deliver the Revenue Budget is being mitigated by:

- Senior Leadership / Directorate Teams reviewing the financial position.
- Availability of General Fund Balances.

Risk No	Risk Description	Likelihood	Impact	Risk
1	Failure to secure financial stability in the medium term	Very High	Catastrophic	High Risk

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

16 Background Papers

16.1 2021/22 Budget Report

17 Appendices

17.1 Appendix A – Key Service Areas

17.2 Appendix B – Capital Programme Summary

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