

Cabinet

23 November 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 September 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.

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

General Fund	£193k	Underspend
Special Expenses Melton Mowbray	£11k	Overspend
Special Expenses Frisby	£1k	Overspend

On the general fund there is a gross £289k overspend against planned expenditure for 2021/22 forecast across all services, however this is offset by Government funding and a specific contingency budget to cover additional costs and loss of income relating to Covid-19, resulting in a net underspend of £193k. 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 September 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.

4 Background

4.1 Overall Position at 30 September 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 September 2021 is as follows:

SUMMARY OF INCOME AND EXPENDITURE APRIL TO SEPTEMBER 2021

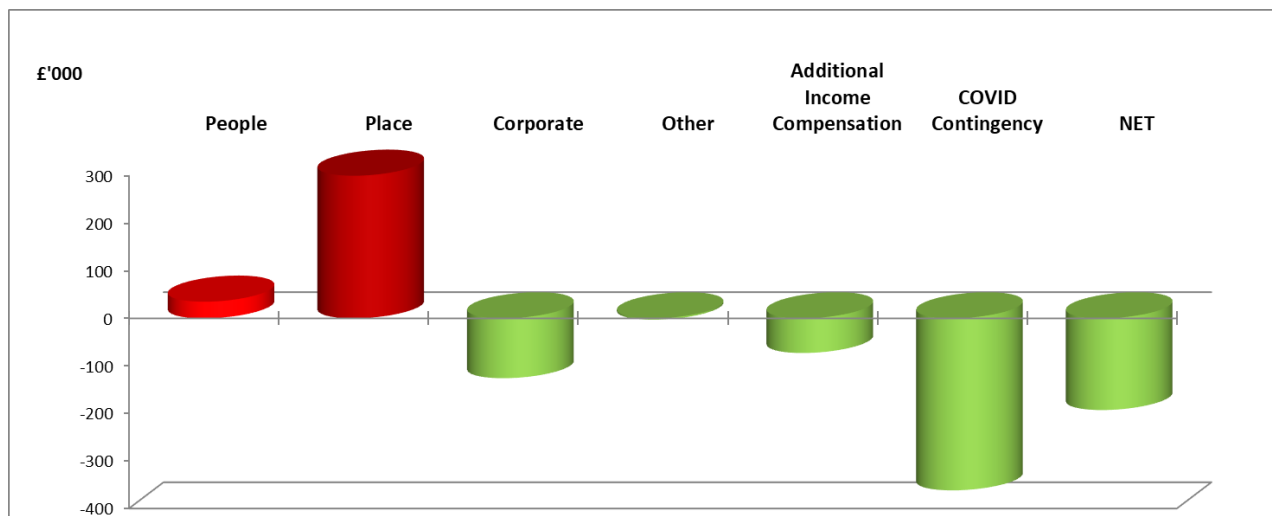
	Approved Budget at Sept '21 £'000	Year End Forecast £'000	Year End Variance* £'000
GENERAL FUND			
Portfolio:			
People	1,521	1,556	35
Place	4,101	4,401	300
Corporate Priorities	1,242	1,116	(126)
All - Pay Award	0	80	80
Total Service Cost - All Portfolios	6,864	7,153	289
Other Expenses	(3,911)	(3,914)	(3)
Additional Income Compensation	0	(73)	(73)
COVID Contingency Budget	0	(362)	(362)
Net Expenditure Requiring Funding	2,953	2,804	(149)
Funded by:			
Ctax, NNDR, NHB and General Grants	(2,350)	(2,350)	0
Corporate Reserves**	(603)	(603)	0
Budget Reductions	0	(44)	(44)
NET UNDER/OVERSPEND*	(0)	(193)	(193)

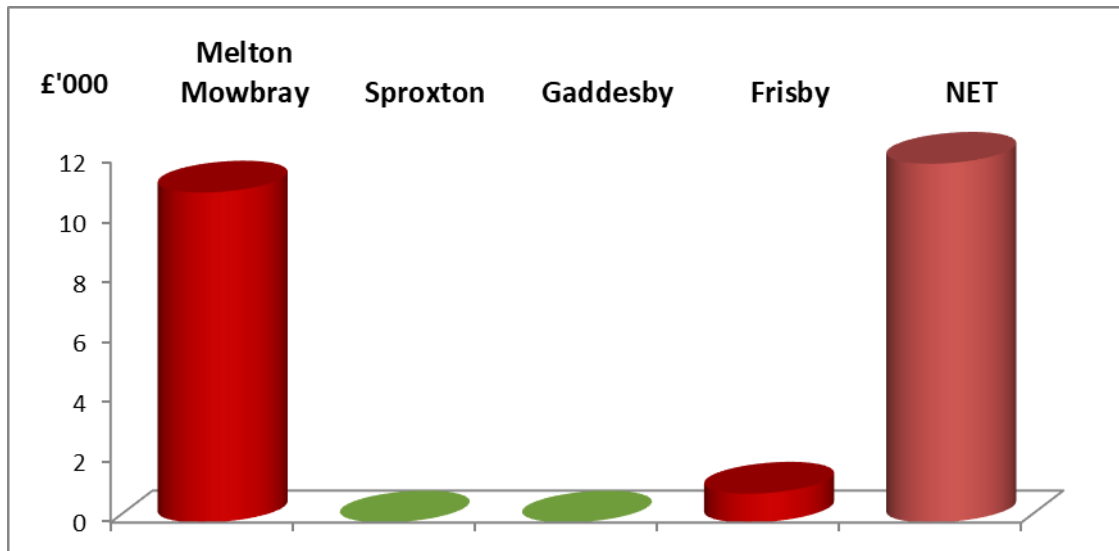
SPECIAL EXPENSES			
Melton Mowbray	624	635	11
Sproxtton	6	6	0
Gaddesby	8	8	0
Frisby	6	7	1
Total Service Costs - Special Expenses	636	648	12
Other Expenses	(102)	(102)	0
Net Expenditure Requiring Funding	534	546	12
Funded by:			
Council Tax	(491)	(491)	0
Carry forwards	(17)	(17)	0
Reserves**	(26)	(26)	0
Total Funding	(534)	(534)	0
NET UNDER/OVERSPEND*	(0)	12	12

* Underspend (-), Overspend (+)

** 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 un-ringfenced '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 £289k before allowing for the income guarantee scheme grant 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 £193k.
- 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 (£16k) – There are savings from a vacant mentor post.
- Rent Rebates and Rent Allowances (£28k) – Latest subsidy predictions are showing an overspend based on the mid-year subsidy return.
- Environmental Maintenance team (£16k) - Vacant environmental maintenance operative post saving

- Waste Management (£30k)- additional income linked to the LCC street sweeping contract.

Place Portfolio:

- Car Parks (£307k)– The impact of Covid-19 has seen a shortfall in income of £196k for Q2 compared to budget. This equates to a 40% shortfall which officers have modelled over the remainder of the year with no improvement in performance expected. This leads to a £284k shortfall forecast at year end on carpark income and a £23k loss on PCN income.
- Cattle Market (£20k) – income expected to exceed budget which is mainly due to animal auctions, based on actuals to date.
- Development Control (£35k) – overspend on agency staffing.
- Building Control (£27k) – Income is currently down by £17k and further contributions to the current partnership arrangements of £11k will be required

Great Council Portfolio:

- Covid Leisure Support (£105k) – a predicted surplus of £44k on the contract is now being forecast as usage begins to increase plus sports England grant support of £61k is leading to an improved position overall. The Council has agreed to a capped level of support up to £97k which won't now be required. It should be noted that the previous management fee of £250k wasn't budgeted for as part of the ongoing leisure support provided to the contract so despite this improvement against budget the council financial position on leisure overall remains well below the previous levels pre-Covid.
- Corporate Improvement Team – £12k engagement toolkit not required for 2021/22
- Corporate Finance – refunds on banking charges and audit fees (£9k) and saving on insurance premiums (£10k)

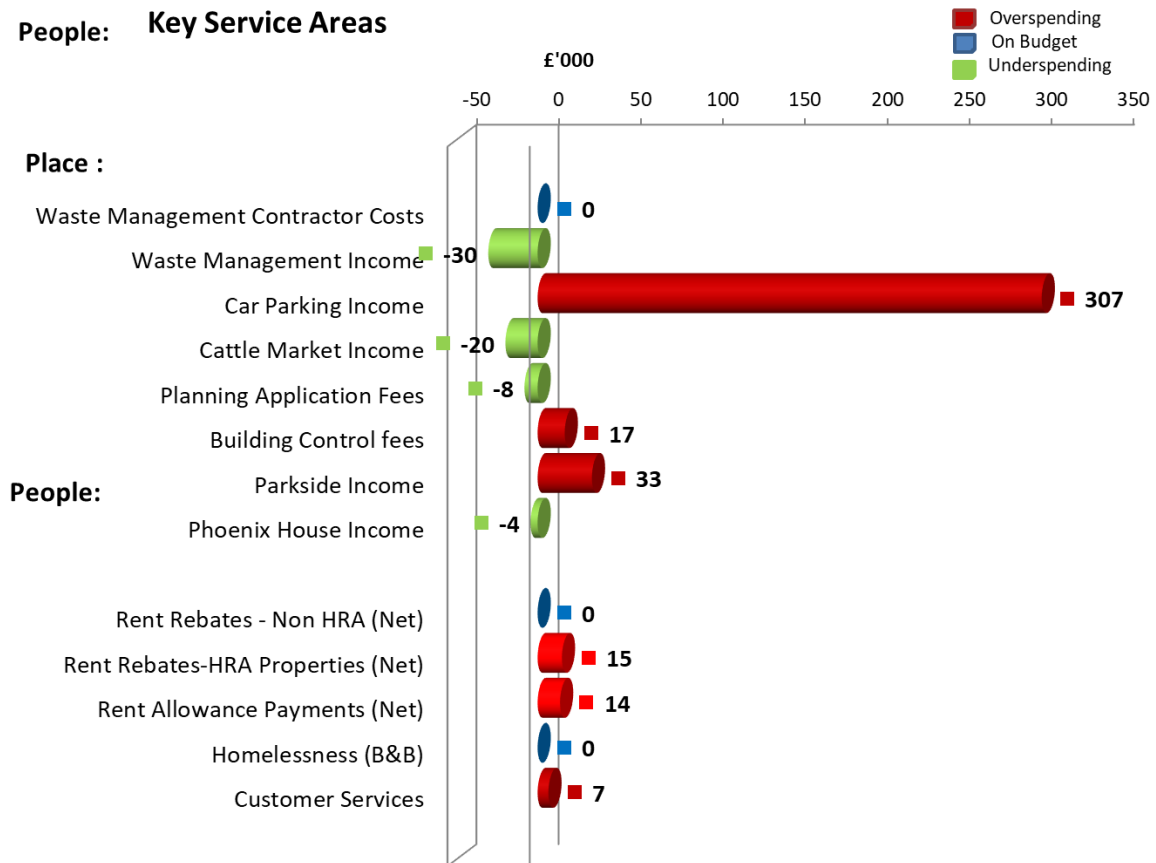
Other:

- 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 September 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:

People: Key Service Areas



5.7 As part of the budget setting process a number of savings were incorporated in the 2021/22 budget. The table below provides an update on the position of each saving:

Description	Amount	Update
Repository – clearing of industrial unit to rent.	£10k	Whilst the repository has now been cleared releasing a vacant unit from Dec 21 a rent-free period has been agreed so saving / income won't be achieved until later years.
Wilton Road and Park Lane public conveniences costs following disposal	£5k	Sites not yet sold so saving is unlikely to be achieved in full but process for disposal has been started for which a decision notice has been signed confirming plan for disposal by auction
Building Control partnership income	£24k	Income target was increased linked to expectations of entering the partnership. Income is currently down by £17k and further contributions to the current partnership arrangements of £11k will mean this saving won't be achieved.
Homelessness Growth reduction	£35k	On-target against current budget.

Description	Amount	Update
Increase pre-planning fees	£5k	At the present this isn't expected to be achieved as an overall shortfall in Pre-Planning Advice is forecast to be £17,000 below budget
Reduce Repair and Maintenance Assumptions	£25k	On target pending a review of the R&M budget and a more planned maintenance approach
Workforce strategy reduction	£6k	On-target
Freeze Project Officer post	£37k	On-target – post remains vacant
Freeze Economic Development Officer post	£37k	On target – post remains vacant
Freeze Neighbourhood Support Officer post	£14k	On-target – post remains vacant

5.8 Special Expenses

The predicted year end position for Special Expenses-Melton Mowbray is an overspend of £10.5k mainly due to £1.5k WAN costs at the children's centres, which are being investigated, and £9k 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.

5.9 Overall Capital Position at 30 Sept 2021

The capital programme summary is attached at Appendix B and shows a minor overspend of £16k against a budget of £2.743m which is also summarised in the table below

	Total Budget 21-22 (£'000)	Actual April to Sept 21 (£'000)	Year End Forecast (£'000)	Variance (-) = Underspend (£'000)
Great Council	261	84	273	12
Place	2,212	191	2,216	4
Total General Expenses	2,473	275	2,489	16

The key areas to note are:

- Great Council – The variance is associated with 2 ICT projects on the ICT Network equipment replacement (£10K) and Service Asset & Desk Management (£2k). The equipment cost and professional services are slightly higher than originally included in

the business case due to equipment shortages which has increased the price. This overspend will be funded by IT R&R.

- Place – A number of projects are yet to commence and there has been the addition of the new LAD2 and LAD3 energy efficiency programmes. The one minor overspend relates to the Country Park path works project which incurred some unexcepted costs for is additional work and increase in materials cost.

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 Senior Leadership Team meetings and further reports will be presented to Cabinet each quarter.

9 Financial Implications

- 9.1 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 Senior 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.
- 9.2 The overall forecast impact of covid-19 on the Council's finances in 2021/22 is as follows:

Summary Financial Impact	Amount £'000
COVID Spent / Impact	£15k
Net Income losses in year	£303k
Net leisure Impact	£206k
	£524k
Less Income cover scheme and other covid grants	(£227k)
Net Impact of COVID	£297k
Covered by:	
Covid Tranche 5 funding	(£213k)
Overall net COVID impact	£84k

- 9.3 When considering the impact of COVID on the Council's finances, the above calculation shows a net impact of £524k cost which is only being partly meet through the tranche 5 funding, income cover scheme and other COVID specific grants resulting in an overall impact of £84k.
- 9.4 As the council commences preparations for the 2022/23 budget it is apparent that the impact of covid will continue to make setting a balanced budget a challenge particularly due to the ongoing impact on key income streamed primarily car parking and a return to a pre covid leisure management fee. A review of the council's finances by the LGA has also recommended that reserves would benefit from being increased to provide additional financial resilience. As such any underspend this year will be a key support in either balancing the budget for 2022/23 or boosting reserves.
- 9.5 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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