



Cabinet Recommendations to Council: General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26

Corporate Priority:	All
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No

1 Summary

- 1.1** The Council monitors budget and service performance on a continuing basis with regular reports provided to Cabinet. In respect of 2021/22 General Expenses budget, an underspend of £230k is forecast for the year primarily due to the full £362k covid contingency fund not being utilised in its entirety. The financial impact of Covid on the Council's finances in 2021/22 prior to any covid funding is forecast to be £442k. Due to the ongoing pressure and uncertainty relating to the Council's future finances it is recommended that this underspend be used to increase the General Expenses working balance in line with the recommendations made by the LGA when they undertook their recent financial resilience review. With regard to Special Expenses Melton Mowbray an overspend of £10.5k is forecast.
- 1.2** The 2022/23 draft budget has been prepared based on the Council's approved Corporate Strategy 2020 to 2024, and takes into account the ongoing implications arising from Covid, including estimated income losses. It allows for an overall increase in council tax of £5 across all Council funds, in line with the Government's referendum limit. A number of items of growth are being put forward, along with some vacancy management savings proposals. Due to the finance settlement, primarily the additional year of New Homes Bonus, and allowing for the growth and vacancy management savings proposals, there is a surplus on general expenses. It is proposed that this surplus be added to the

Regeneration and Innovation Reserve to enable investment in key activities to support projects that will result in economic growth, commercial return or support inward investment, as well as support development and implementation of service improvement and innovation. The details of the proposals are set out within the report alongside the risks and assumptions associated with the budget estimates.

- 1.3** Taking into account the uncertainty regarding local government funding and recovery of income levels lost as a result of Covid, the report also includes forecasts of the Council's financial position for the next 3 years, supported by a sensitivity analysis. The report demonstrate the potential wide ranging impact for 2023/24 onwards, with the anticipated business rates baseline reset a particularly significant factor, alongside uncertainty over the level of any transitional protections. Subject to what transpires, the forecast ranges from a position of financial stability, at the more optimistic end, to one where considerable savings may be required should a more pessimistic outcome occur. This demonstrates the importance of the council's financial sustainability programme which would ensure preparedness for such eventualities.
- 1.4** As previously reported, reserves and balances have been depleted over recent years, however the position has improved over the last two years. Capital resources have continued to decline although the asset development programme is aimed at addressing this. Specific revenue reserves also continue to decline primarily the business rates equalisation reserve which has been used to mitigate the impacts arising from covid. General revenue reserves have however increased with the Corporate Priorities Reserve increasing due to underspends in 2020/21 and also the Working Balance set to increase as the Council responds to the LGA review and proposals to increase this with forecast underspends in 2021/22. However, despite the improved position, the relatively low level of revenue and capital reserves remain a concern as highlighted by the latest CIPFA financial resilience index and the LGA review and the council will need to continue to manage its finances prudently and effectively.

2 Recommendations from Cabinet

That Council:

- 2.1 Approves the proposals for General Expenses and Special Expenses Melton Mowbray as set out in Appendix B (i) and (ii) and summarised in section 4.5 of Appendix 1 be approved for inclusion in the 2022/23 budget resulting in the estimates set out in Appendix C;**
- 2.2 Approves the revenue budget for 2022/23 for General and Special Expenses as set out in Appendix C be approved resulting in an overall council tax increase of £5, the individual council tax levels being as set out in para 4.5.5 of Appendix 1;**
- 2.3 Approves that any surplus against the target working balance on General Expenses at 31 March 2022 is transferred to the General Expenses Working Balance and any shortfall is made up from the Corporate Priorities Reserve and for Special Expenses Melton Mowbray any surplus/deficit be transferred to/from the Special Expenses Reserve thereby bringing the actual Special Expenses Melton Mowbray Working Balance back to the target;**
- 2.4 Notes the changes made to the risk categorisation of budgets as set out in para 4.6.2 of Appendix 1 and Appendix E;**

- 2.5 Approves that a new General Property Repair Fund be established using the residual balance on the Waterfield Leisure Centre Income Smoothing Reserve with delegation provided to the Director for Growth and Regeneration in consultation with the Director for Corporate Services to access the reserve to meet unexpected repairs and maintenance needs that arise during the year that cannot be met from existing revenue budgets.**

3 Reason for Recommendations

- 3.1** The Council, having set a Budget at the start of the financial year, needs to ensure the delivery of this Budget is achieved. Consequently, there is a requirement to regularly monitor progress so corrective action can be taken when required, which is enhanced with the regular reporting of the financial position.
- 3.2** To propose to Council a General Fund budget and level of council tax for the 2022/23 financial year which takes into account the proposals set out in the approved Corporate Strategy. The proposals take into account the net expenditure that the Council expects to spend in the next financial year to deliver services to our customers. The report also includes details of the funding and income received to support these services to ensure a balanced budget is proposed.
- 3.3** The Council also holds a number of reserves which can be drawn upon to fund future expenses. The level of reserves is considered within this report, as is the future outlook for spending in the years ahead in order for the Council's future financial resilience to be considered as part of the proposals.
- 3.4** Cabinet and Council are required to consider and approve the General Fund Revenue Account budget proposals in order to set the budget and council tax for the forthcoming financial year.

4 Background

- 4.1** Cabinet considered the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 at their meeting on 9 February 2022 and made a recommendation to Council for approval.

5 Main Considerations

- 5.1** As detailed in the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 (Appendix 1).

6 Options Considered

- 6.1** As outlined in the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 (Appendix 1).

7 Consultation

- 7.1** As outlined in the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 (Appendix 1).

8 Next Steps – Implementation and Communication

- 8.1** As outlined in the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 (Appendix 1).

9 Financial Implications

9.1 As outlined in the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 (Appendix 1).

Financial Implications reviewed by: See Appendix 1

10 Legal and Governance Implications

10.1 As outlined in the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 (Appendix 1).

Legal Implications reviewed by: See Appendix 1

11 Equality and Safeguarding Implications

11.1 As outlined in the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 (Appendix 1).

12 Community Safety Implications

12.1 As outlined in the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 (Appendix 1).

13 Environmental and Climate Change Implications

13.1 As outlined in the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 (Appendix 1).

14 Risk & Mitigation

14.1 As outlined in the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 (Appendix 1).

15 Background Papers

15.1 As outlined in the General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26 (Appendix 1).

16 Appendices

16.1 Appendix 1 – General Fund Reserve Budget 2021/22 and Medium Term Financial Strategy 2022/23 to 2025/26

16.2 Appendix A – State of Melton Report

16.3 Appendix B – Summary of Committee Estimates

16.4 Appendix Ci – Growth Proposals

16.5 Appendix Cii – Vacancy Saving Proposals

16.6 Appendix D – Parish Council Precepts

16.7 Appendix E – Risk Assessment of Budgets

16.8 Appendix F – Statement of Revenue and Capital Reserves

16.9 Appendix G – Purpose and Future Intentions of Reserves

Report Author:

Adam Green, Senior Democratic Services and Scrutiny Officer

Report Author Contact Details:	01664 502319 agreeen@melton.gov.uk
Chief Officer Responsible:	Dawn Garton , Director for Corporate Services
Chief Officer Contact Details:	01664 502444 DGarton@melton.gov.uk