



## General Fund Revenue and Capital Outturn 2021-22

<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 The report provides Members with information on the provisional year end for General Fund services and the subsequent implications on the Council's balances and reserves. After taking into account approved allocation to reserves and other adjustments the surplus for the year on General Expenses is £94k, which as approved by Council will be transferred to the working balance. With regard to Special Expenses Melton Mowbray the net overspend is £28k after allowing for carry forwards. The final position is still subject to external audit approval for 2021-22.
- 1.2 In relation to the General Fund capital programme the latest approved budget is £1,973k, and the provisional outturn is £559k resulting in an underspend of £1,414k of which £786k will be carried forward into 2022-23.

## 2 Recommendations

That Cabinet:

- 2.1 Notes the provisional year end position, variations to the 2021-22 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 £116k be transferred in 2022-23 from the Corporate Priorities Reserve to the General Fund Working balance to bring the level to £850k.

## 3 Reason for Recommendations

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

## 4 Background

### 4.1 GENERAL FUND – GENERAL EXPENSES

- 4.1.1 A balanced budget was set for 2021-22 and the table below shows the impact of the provisional year end against the latest approved budget.

	Budget £'000	Provisional Year End Position £'000	Variance to Budget (Underspend) / overspend £'000
Original Net Budget	2,401	-	-
Approved c/fwds 2020/21	354	-	-
Covid-19 Contingency	162	-	-
<b>Revised Budget</b>	<b>2,917</b>	<b>2,278</b>	<b>(639)</b>
<b>Total funding</b>	<b>(2,350)</b>	<b>(2,079)</b>	<b>271*</b>
<b>Net Surplus (-) / Deficit for year</b>	<b>567</b>	<b>199</b>	<b>(368)</b>
<b>Funded by</b>			
C/fwd Reserve	(390)	<b>(390)</b>	0
Regeneration and Innovation Reserve	(15)	<b>(5)</b>	(11)
Covid-19 Contingency reserve	(162)	<b>(162)</b>	0
Overall net position	0	<b>(357)</b>	<b>(357)</b>
Less c/fwds into 2022/23	0	<b>263</b>	<b>263</b>
<b>Overall Surplus (-) / Deficit for year</b>	<b>0</b>	<b>(94)</b>	<b>(94)</b>

\*the shortfall on funding relates to Business Rate income but this is offset by other accounting entries and reserve movement in the line above within the table.

- 4.1.2 The original net expenditure budget in respect of General Expenses for 2021-22 prior to council tax and grant funding was set at £2.401m, which was subsequently updated to an approved budget of £2.917m. The increase takes into account the budgets brought forward from the previous financial year (£354k) and Covid-19 carry forward support funding from the 2020-21 underspend (£162k).
- 4.1.3 Members should note that the original net expenditure budget of £2.401m isn't reflective of a 'normal' financial year which is usually a net budget of circa £4.5m - £5m. The reason for the abnormal year for 2021-22 is due to section 31 grants being received late in 2020-21 for Covid support, which in line with accounting requirements were put into reserves and then brought into the revenue budget in 2021/22 as a significant contribution from reserves thereby reducing the net expenditure budget.
- 4.1.4 The initial net budget for 2021-22 after funding but before allocated funding from reserves was £567k which after allowing for the movements in reserves and other adjustments maintained a balanced budget for 2021-22 as shown from the overall net position in the table above.
- 4.1.5 The provisional year end position shows a net position of £199k which is an underspend of £368k when compared to the latest approved budget. After taking into account the previously approved reserve movements to fund expenditure the overall provisional net position for 2021-22 is an underspend of £357k.
- 4.1.6 After, allowing for the approved carry forward amounts into 2022-23 of £263k the overall surplus for the 2021-22 financial year is £94k. this compares to the forecast of £230k which was reported to Council in February when the budget for 2022/23 was set. As a result of the ongoing pressure on the budgets and the uncertainty regarding the council's future financial position, primarily due to the loss of key income streams and future government funding, the underspend was approved by Council to be added to the working balance. This is in line with that recommended in the LGA financial resilience review. The aim being to increase the working balance to a new target of £1m.
- 4.1.7 The key reasons for the underspend against the net income and expenditure budget of £368k can be categorised as follow:
- An underspend on those service budgets within budget holders direct control, as set out in Appendix A (excluding the business rates movement which is offset elsewhere - £263k
  - Budget reductions identified and applied during the financial year as a response to the ongoing covid pressures - £104k
- 4.1.8 During the course of the year and as part of the Councils ongoing 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.
- 4.1.9 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.

Also, included for information is the level of carry forwards previously approved by the Portfolio Holder for Corporate Finance, Governance and Resources which totalled £313,530. Following the completion of provisional accounts some of the anticipated underspends did not come to fruition and therefore the final amounts have been adjusted accordingly to £263,047.

#### 4.1.10 KEY VARIANCES

##### 4.1.11 General Fund – Underspends

- **NNDR (Business Rates) Collection (£1,043k)** – Increases in S31 grants for Extended retail and nursery reliefs which were not included in the original NNDR1 budget forecast. In line with the required accounting treatment this creates a significant variance in the cost of services which is then offset by a transfer from the business rate reserve and also a reduction on the actual level of NNDR income which results in a negligible impact overall on the bottom line.
- **Covid-19 (£566k)** - Underspends includes £162k contingency carry forward and additional sales fees and charges income compensation scheme over budget (£73k). The remainder is additional new burdens support / Covid-19 support grants which have all been used to fund covid-19 expenditure in year and support additional expenditure incurred elsewhere across the Council
- **Case Management (£29k)** – Staffing related underspends linked to vacancies has resulted in an underspend (£19k) and utility usage has been down due to Covid (£7k).
- **Finance System (£41k)** - The finance system project straddles multiple financial years. Phase 1 was completed in 2021-22 and phase 2 commenced but will be fully implemented in 2022-23. The budget will be carried forward to support delivery of these elements.
- **Corporate Improvement Team (£53k)** - Corporate Improvement Manager post seconded and vacant period with cover starting later in the year and at a lower band. Resident survey delayed until 2022-23 (£15k) which will be carried forward
- **ICT (£91k)** - Delay in planned activities such as server replacements, hybrid meeting rooms and share point. A carry forward of £83k has been approved so these projects can be completed in 2022-23.
- **Communications (£51k)** - Lower professional fees for external HR and Web support than anticipated. Contribution to apprentice training costs from the national apprenticeship levy.
- **Cattle Market (£53k)** – Increase in anticipated auction sales due to higher throughput volumes and refund due from town estate fee, that was overcharged in 2019-20 and 2020-21.
- **Waste Management (£52k)** – Income exceeded budgeted expectations due to civic amenities sites being closed during lockdown periods and restricted access which meant more bulky waste collections undertaken and a general increase in recycling waste collected.

- **Parkside (£31k)** - Related to lower building costs. However, utility costs are expected to rise significantly during 2022-23 due to global price increases.
- **Environmental Maintenance (£31k)** – Number of vacant posts during the year as well as reduced expenditure on contract works and materials purchased.
- **Interest (£29k)** – additional investment income returns in excess of budgeted amount due to higher balances in year and an upturn up in interest rates in the last quarter of the year.

#### 4.1.12 General Fund – Overspends

- **Customer Services (28k)** – Additional staffing costs and Software related costs incurred during the course of the year.
- **Corporate Costs (£28k)** – Increase in External Audit costs due to additional audit requirements as a result of Covid-19 and valuation work. The Redmond review on the future audit provision has identified audit fees need to be increased which will create further budgetary pressures moving forward as new burdens funding allocated unlikely to meet full additional cost.
- **Doubtful debt increase (£222k)** – there has been an increase in the bad debt provision due to a number of factors including:
  - an increase in the bad debt % applied due to impact of CPI, linked to current economic climate
  - change in the debt profile
  - reallocation of housing benefit debt that was being calculated as general debt which is now assumed to be more unlikely to be repaid and thus requires an increase in provision.
- **Elections (£37k)** – 2019 Parliamentary election settlement costs expected to be lower than previously accrued for due to settlement queries (£26k). Also unexpected Melton Dorian and Melton Sysonby bi-elections for which costs cannot be recovered.
- **Car Parks (£234k)** – Income shortfall including season tickets and enforcement. Income cover scheme only provided £123k of funding to cover shortfall for the Q1 period. It is expected the drop in car park usage post Covid-19 is likely to remain at the current levels which is slightly up from the last year and has been adjusted for in the 2022-23 budget.
- **Development Control (£250k)** – Income shortfall on planning fees (£73k), additional staffing to cover vacancies and additional workload (£92k) plus legal appeal costs for planning appeal decisions (£91k).
- **Building Control (£31k)** – Increased one-off costs relating to implementation of the shared service partnership fees as per the Cabinet approval in November 2021. The delegated service was expected to have an initial cost higher than existing budget. However, a medium term view of costs shows this beginning to reverse in year 3 onwards.

## 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-19 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 services such as car parks and planning fees as outlined above. In terms of Covid-19 expenditure charged directly to this service this covered areas such as financial support to the leisure provider and other costs associated with responding to the pandemic and recovery phases.

4.2.2 The table below provides a summary of the impact on the council's finances in 2021-22 due to covid-19.

<b>Covid-19 Summary</b>	<b>Amount</b>
• Covid-19 Spend/ Impact £101k	£775k
• Net Income losses £327k	
• leisure contract support £347k	
Less income cover scheme and other covid grants	(£463k)
Net Cost	£312k
Ring fenced Covid-19 funding including c/fwd available	(£362k)
Remaining balance used to contribute to underspend	(£50k)

4.2.3 The Covid-19 response in early stages was filled with 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. The Council took a pragmatic approach, ensuring a focus on the needs of communities at all times.

4.2.4 New burdens funding is still awaited for some areas as well as support for the £150 cost of living increase (Council tax energy rebate scheme). The work to develop and deliver this scheme has created a considerable backlog in some service areas which has started to be addressed in 2021-22 and will continue into the next financial year.

4.2.5 The savings (budget reductions) identified have helped contribute to the underspend as part of its proactive budget management approach and puts the council in an improved financial position.

4.2.6 The Council is currently responding to the Government's Homes for Ukraine Scheme, with housing, communities and leadership resources being allocated to enable a positive and proactive response. Allocation of a Government funding tariff is currently being negotiated with County Council colleagues. An initial payment arrangement has been agreed which will enable the Council to boost capacity to respond through an additional resource within its Communities Team. This will also enable the Council to maintain focus on other areas of work that have stalled to enable a focus on the Homes for Ukraine scheme.

4.2.7 There have been a number of budgetary impacts linked to Covid but the main ones in 2021/22 have been;

- Car parking – significant reduction in income
- Planning fees – reduction in income

- Leisure provision – loss of management fee and financial support

Whilst in some of these areas there are signs of improvement with the leisure management fee expecting to return to pre-pandemic levels in 2023-24 and housing development continuing to recover there are still areas of financial concern moving forward. Car park usage appears to have found a new level which is significantly down and will need to be managed in future years within the MTFs and growing concern about the cost of living crisis which may start to appear in key contracts such as leisure and waste. In response to the concern regarding inflationary pressures the implications of this for the council are under review alongside what has already been incorporated into the 2022/23 budget. This will feed into a high level review of the Medium Term Financial Strategy as a preliminary stage to the commencement of the budget setting process for 2022/23 and state of Melton Debate in the Autumn.

- 4.2.8 As we establish post pandemic levels of service usage covid costs are now being charged direct to service budgets. As no budgets have been set on the Covid service code we will be looking to close this down during 2022/23 and not reporting on this directly as it will be incorporated into the general budget monitoring moving forward. Some legacy new burdens funding is still expected and there may be some previous allocations held in reserves which are likely to be spent in year against specific key areas where pressures still exist.

### 4.3 SPECIAL EXPENSES

- 4.3.1 A balanced budget was set for 2021-22 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	607	-	-
Approved c/fwds 2020/21	17	-	-
<b>Revised Budget</b>	<b>624</b>	<b>608</b>	<b>(16)</b>
Non-service related costs	(103)	(76)	27
<b>Net Expenditure</b>	<b>521</b>	<b>532</b>	<b>11</b>
<b>Total Funding</b>	<b>(474)</b>	<b>(474)</b>	<b>0</b>
<b>Net Surplus (-) / Deficit for year</b>	<b>47</b>	<b>58</b>	<b>11</b>
<b>Funded by</b>			
C/fwd Reserve	(17)	<b>(17)</b>	0
Special Expense Reserve	(30)	<b>(30)</b>	<b>0</b>
Overall net position	0	<b>11</b>	<b>11</b>
plus c/fwds into 2022/23	0	<b>17</b>	<b>17</b>

<b>Overall Surplus (-) / Deficit for year</b>	0	28	28
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- 4.3.2 The net revenue expenditure in respect of Special Expenses (MM) for 2021-22 was originally estimated at £607k, which was subsequently updated to an approved budget of £624k. The increase took into account budgets brought forward from the previous financial year (£17k). After taking into account the use of reserves to fund carry forwards from 2020-21 there is a variance against the approved budget of £11k deficit plus £17k is being carried forward into 2022-23, resulting in an overall £28k deficit in year which will be funded from the Special Expenses Reserve, an increase over the approved budget.
- 4.3.3 The main reason for the overspend relates to cemeteries due to increased costs and loss of income both from burials and rental income for the cemetery lodge (£30k), partly offset by an underspend on Open Spaces (£13k) due to delays in programmed works as a result of in year vacancies.
- 4.3.4 Work to finalise remedial works has now concluded and Cemetery Lodge is ready to let. The property is advertised at a rental value of £1,195 per month with a view to letting this as a residential rental property (not HRA). See link [here](#)
- 4.3.5 The net position on the closed Churchyards of Spoxton, Frisby and Gaddesby are summarised in Appendix A. There some variances to additional works undertaken in Frisby and reduced spend at Gaddesby. No reserves are held for each churchyard due to the levels involved and any under/over recovery is adjusted for when setting council tax in the following year.

#### 4.4 RESERVES AND BALANCES

- 4.4.1 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</b>	<b>General Fund working balance</b>	<b>Regeneration and Innovation reserve</b>	<b>Business Rate Equalisation Reserve</b>	<b>Special Expense Reserve</b>	<b>Special Expenses working balance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance as at 31.03.21	1,181	640	282	3,133	380	50
Contribution from / to (-) Revenue account	0	94	(176)	(1,975)	(58)	0
<b>Provisional balance @ 31.03.22</b>	<b>1,181</b>	<b>734</b>	<b>106</b>	<b>1,158</b>	<b>322</b>	<b>50</b>
Budgeted changes to Reserves 2022-23	(25)	0	384	(262)	(55)	0
Approved supplementary	(37)	0	(110)	0	0	0



estimates 2022-23						
<b>Estimated balance @ 31.03.23</b>	<b>1,119</b>	<b>734</b>	<b>380</b>	<b>896</b>	<b>267</b>	<b>50</b>

4.4.2 As a result of the above, the balance on the Corporate Priorities Reserve is expected to be £1.119m as at the end of 31 Mar 2023 after taking into account the budgeted change on the reserve and supplementary estimates agreed to date in 2022-23.

4.4.3 The general fund working balance has increased by £94k to £734k which is lower than the predicted increase of £230k as forecast in the 2022-23 budget report due to the reduction in the underspend previously forecast. In the same report it was outlined for the need to increase the working balance for General Expenses to the upper level of the amount identified through the risk assessment from the current target level of £640k to £1m. As such it is proposed that a further £116k be transferred from the Corporate Priorities Reserve to the working balance, resulting in a new balance of £850k. The position can be reviewed again further when the budget for 2023/24 is set and a forecast for 2022/23 known as to whether a further transfer should be made from other reserves or whether there is scope to increase it again to the target £1m from either the 2022/23 or later year's budget.

4.4.4 During 2020/21 and 2021/22 the Government introduced/extended policies to provide additional covid support to businesses through various rate reliefs. Local authorities were fully reimbursed for this cost through grant funding. A significant portion of this funding was received in 2020/21 but was required to be accounted for in 2021/22 and therefore impacted on the business rates equalisation reserve where it was held before being brought into the council's accounts in 2021/22. This is the reason for the significant change in this reserve from £3.13m at 31.3.21 to £0.9m estimated at 31.3.23. Due to the actual deficit on the Business Rate collection fund being higher than expected it is likely that the draw on the reserve in 2022-23 will be greater than budgeted for in the table above. Based on the Council's retained business rates levels a reasonable balance to maintain on this reserve would be circa £0.35m. As such the reserve is in a healthy position despite the large movements in the past 2 financial years and the potential exists to reduce the reserve once the draw for 2022/23 is known.

4.4.5 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 £267k. This is £18k lower than that reported to the Council in February 2022 (£285k). The difference on the Reserve can be accounted for as a result of the overspend during the year which was forecast to be £10k.

4.4.6 The Special Expenses Working Balance remains the same at £50k in line with the target.

## 4.5 GENERAL FUND CAPITAL

4.5.1 In relation to the General Fund capital programme the latest approved budget is £1,973k, and the provisional outturn is £559k resulting in an underspend of £1,414k, of which £786k will be carried forward into 2022-23.

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

<b>Project</b>	<b>Original Budget</b>	<b>Under spend £'000</b>	<b>Amount To Carry Forward To 22-23 £000</b>	<b>Reason</b>
Disabled Facilities Grants (Private Sector Mandatory)	696	468	468	There has been a reduction in referrals due to a number of reasons including resources with adult social care, delays in quotes and the impact of the pandemic.
ICT Programme	116	116	116	Due to the impact of the global economy equipment procurement has been delayed and will be undertaken in the next financial year.
LAD2 - Energy Efficiency Measures	355	355	355	LAD2 contract extended works to be completed by end June 2022 with work commencing April 2022.
Lake Terrace Waste Depot Refurbishment	91	42	42	Ongoing complex project which has experienced a number of delays but is expected to complete in 2022-23
Melton Country Park Bridge Work	40	40	40	Bridge works delayed due to covid and knock-on impact of difficulties around securing costs and materials from Suppliers
Asset Development Programme	285	265	265	Work commenced but this is a long-term project linked to LLEP funding which will continue in 2023
Waterfield Leisure Centre Improvements	100	50	0	Initial budget request was based on best estimates at the time and before the lease parameters had been reviewed to determine liability of funding which was subsequently lower than expected. Any underspend will be added back to the sinking fund reserve which is funding this item.
Rural Diversification Business Scheme	100	65	0	Only applications that met the relevant criteria as set out in the policy documentation were funded leading to an underspend.

				Due to less applications for this element of the council's grant funded scheme the unused ARG funding allocated to this scheme was utilised for Covid – 19 revenue grants to ensure all grant funding was appropriately utilised on eligible spend.
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## 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 9 July to 19 August 2022 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 Audit and Standards at a future Committee once External Audit have confirmed when they will be undertaking 2021-22 audit work.
- 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 2021-22 end of year position has resulted in an underspend on general expenses which has been transferred to the working balance to provide more financial resilience, but was lower than expected based on previous forecasts. The new target for the Working balance being £1m. As such a transfer is proposed from the Corporate Priorities Reserve to bring the working balance to £850k and then a strategy to move to the new £1m target to be addressed when the budget for 2023/24 is set. An overspend of £28k is estimated for Special Expenses which will result in a reduction in the reserve for 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, recovery post Covid and recent impacts which

are starting to emerge relating to cost of living increases. The council has been monitoring closely the financial impact of Covid in terms of both additional expenditure being incurred and income shortfalls, accessing funding on offer through specific grants and direct support through the expenditure support grants and income guarantee scheme that finished in 2021-22. Based on the analysis above there are two main areas that continue to be impacted by Covid. One is a change in car park usage which despite removal of lockdowns has found a new baseline which is significantly lower than pre-covid levels and will therefore has been rebased for the 2022-23 budget and will continue to be closely monitored. The other is on Leisure provision with the reduced management fee and additional financial support required. Whilst the usage levels seem to be improving the impact of rising utility costs is of concern and even with the improved interim contract position being more positive this will still be a challenge to get back to the pre covid budget position.

- 9.3 Further information regarding the draft Statement of Accounts and the Narrative Statement will be presented to the Audit and Standards Committee in due course. The Narrative Statement will provide more organisational oversight of the achievements in 2021-22, focus for the coming year and challenges that lie ahead including the ongoing recovery phase of Covid and cost of living impacts which have arisen in recent months.
- 9.4 The Council's medium term financial strategy approved in February 2022 when the budget for 2022-23 was approved provides forward forecasts for the next 3 financial year. These indicate potential deficits in later years and as a result of inflationary pressures, demand and service changes. There is also considerable uncertainty regarding the future nature and level 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. In recognition of these financial challenges a new initiative titled " Be the Change" has been launched to engage staff in identifying area for savings that can be used to develop a 3 year financial sustainability plan. This is at the initial stages and members will be kept informed of how this is progressing and should start to see ideas brought forward through the decision making process as they are progressed. However there remains a significant risk regarding future financial sustainability.

**Financial Implications reviewed by: Corporate Services Manager (deputy s151 officer)**

## **10 Legal and Governance Implications**

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

**Legal Implications reviewed by: Deputy Monitoring Officer 04.07.22**

## **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 2022-23 financial year for budget monitoring but likelihood of suppressed incomes in some areas and some known budgetary pressures there will be a challenge to maintain the balance budget that was set by Council in February 2022. We are still awaiting some legacy new burdens funding from Government which will be key to addressing some of the ongoing back log work caused by the pandemic. In addition, early budget monitoring for 2022-23 is showing that there will be pressure on the budget from costs linked to enforcement action, potential pay awards above that already budgeted for (1.75%) as well as increases to the national minimum wage due to high inflation.

15.3 As previously reported in the recent budget setting report, reserves and balances have reduced in previous years however there has been some improvement in this area. Capital resources however in particular have continued to decline although the asset development programme is aimed at addressing this. Due to the complications arising from the significant changes in business rates relief offered by the government the position on business rates retained income continues to be difficult to estimate and remains irregular between years leading to large fluctuations in the business rates equalisation reserve. General revenue reserves however have recently increased with the Corporate Priorities Reserve increasing due to underspends in 2020-21 and also the Working Balance has increased as result of the underspend in 2021-22 as the Council responds to the LGA review although not at the level forecast when the budget was set. However, 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 this will continue to be addressed as finances allow

15.4 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 recovery from the 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 2021-22

17.2 Appendix B – General Fund Capital Provisional Year End Position 2021-22

<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

