

Cabinet

14 September 2022

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



General Fund and Special Expenses - Budget Monitoring 1 April 2022 to 31 July 2022

Corporate Priority:	Ensuring the right conditions to support delivery (inward)
Relevant Ward Member(s):	All
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 an indication of the challenge created by current and anticipated inflationary pressures, specific one off costs associated with a recent enforcement case and reduced income levels following the recovery from Covid. As at 31st July budget holders are forecasting the following year end overspends against their 2022/23 revenue budgets:

General Fund	£200k	Overspend
Special Expenses Melton Mowbray	£10k	Overspend

Additional pressure will be caused by the intended pay award which has yet to be finalised.

- 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 31st July 2022 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 31 July 2022:

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 31st July 2022 is as follows:

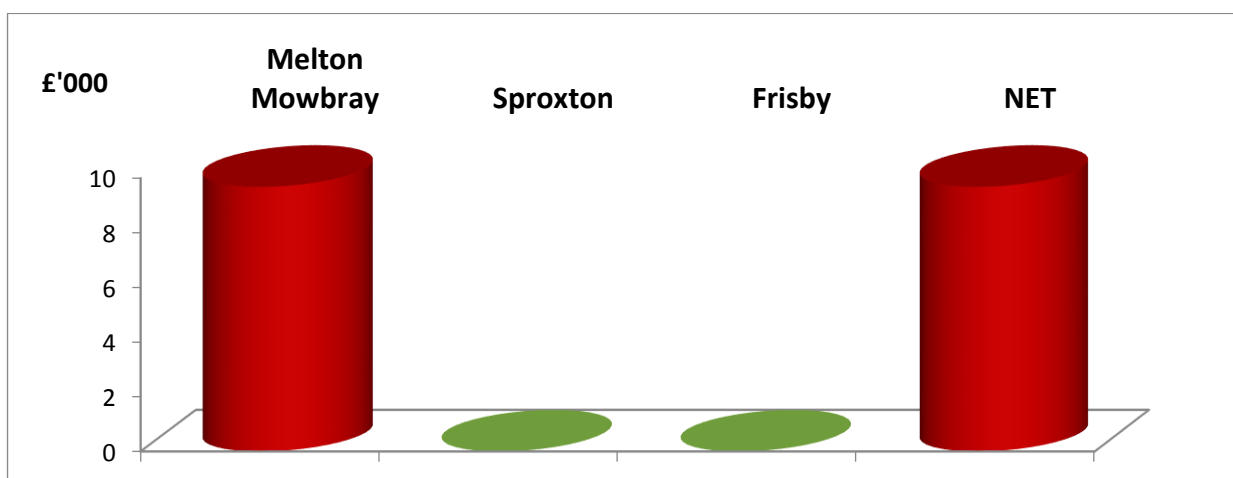
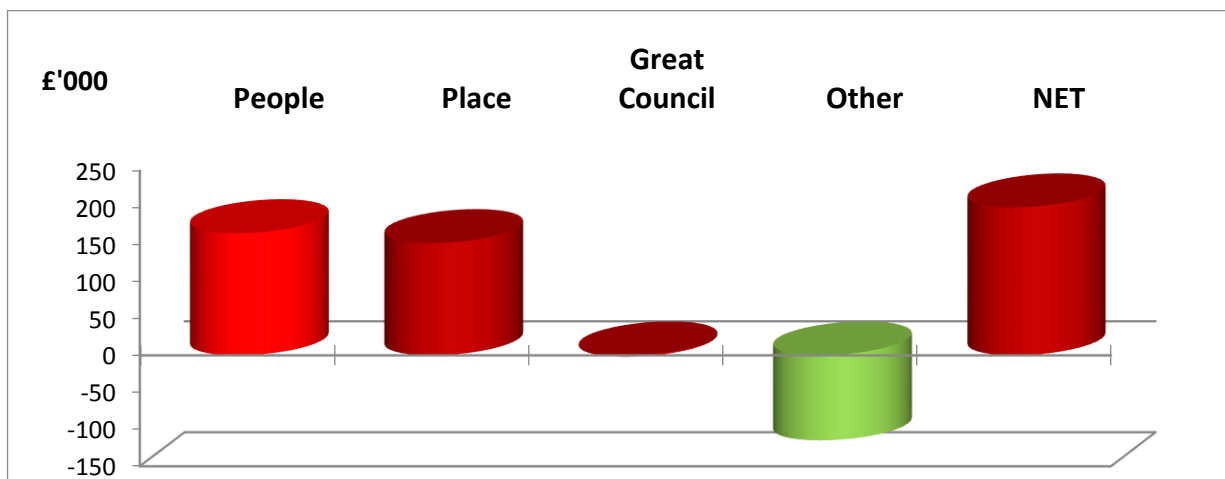
SUMMARY OF INCOME AND EXPENDITURE APRIL TO JULY 2022

	Approved Budget at July '22 £'000	Year End Forecast £'000	Year End Variance* £'000
GENERAL FUND			
Portfolio:			
People	2,181	2,346	165
Place	5,002	5,154	152
Great Council	946	944	(2)
Total Service Cost - All Portfolios	8,129	8,444	315
Other Expenses	(2,998)	(3,113)	(115)
Net Expenditure Requiring Funding	5,131	5,331	200
Funded by:			
Ctax, NNDR, NHB and General Grants	(5,114)	(5,114)	0
Corporate Reserves**	(17)	(17)	0
NET UNDER/OVERSPENDING*	0	199	200
SPECIAL EXPENSES			
Melton Mowbray	637	646	10
Sproxton	6	6	0
Gaddesby	8	8	0
Frisby	6	6	0
Total Service Costs - Special Expenses	649	658	10
Other Expenses			
Interest and Investment Income	0	0	0
Depreciation Reversal	(86)	(86)	0
Other Expenses	(86)	(86)	0

Net Expenditure Requiring Funding	563	572	10
Funded by:			
Council Tax	(491)	(491)	0
Carry forwards	0	0	0
Reserves**	(55)	(55)	0
Total Funding	(546)	(546)	0
NET UNDER/OVERSPENDING*	17	27	10

* Underspending (-), Overspending (+)

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



5 Main Considerations

5.1 There are a number of reasons for the estimated overspend as well as reduced income streams in a number of areas which means this financial year will continue to be a challenge to ensure the budget remains balanced and the council will continue to work with budget holders to identify any further in year savings.

5.2 The main variances Underspending () within the figures above are as follows:

People Portfolio:

- Rent Rebates and Rent Allowances £34k – Latest subsidy predictions are showing an overspend based on the mid-year subsidy return.

- Waste Management £50k - additional costs relating to contract inflation assumed at 7% compared to budgeted 3% mainly driven by fuel price increase as well as salary increases and general inflation.
- Waterfield £105k – When the budget was set half the previous contracted management fee was expected in 2022/23, however, the final agreement was for £20k plus profit share arrangement. Based on the latest open book accounts the contract is running at a deficit and therefore it is unlikely any management fee / profit share will be received. This position continues to be reviewed with further review of the accounts and ongoing discussions regarding in-year price changes due to current inflationary cost pressures.

Place Portfolio:

- Industrial Estates (£11k) – Budget includes an allowance for bad debt which is not currently expected to materialise. Additional £3k in relation to a backdated invoice for unit rent.
- Car Parking £35k – Shortfall in parking fees forecast. Current position is 80% against budget however this position is expected to improve over the remainder of the year.
- Environmental Health £50k – Assumed cost of £107k for ongoing enforcement case. This has been partly offset by savings elsewhere in service relating to capitalisation of salaries which the Council has been able to apply against the LAD2 schemes.
- Development Control £19k – overspend on agency staffing for conservation officer role.

Great Council Portfolio:

- Legal Income £11k – Delays in completing S106 agreements due to external factors i.e. developers holding off on progressing due to timescales being triggered and material cost increases.

Other:

- Interest Income (£115k) – Sharp increase in interest rates against those budgeted for linked to the rise in base rates.

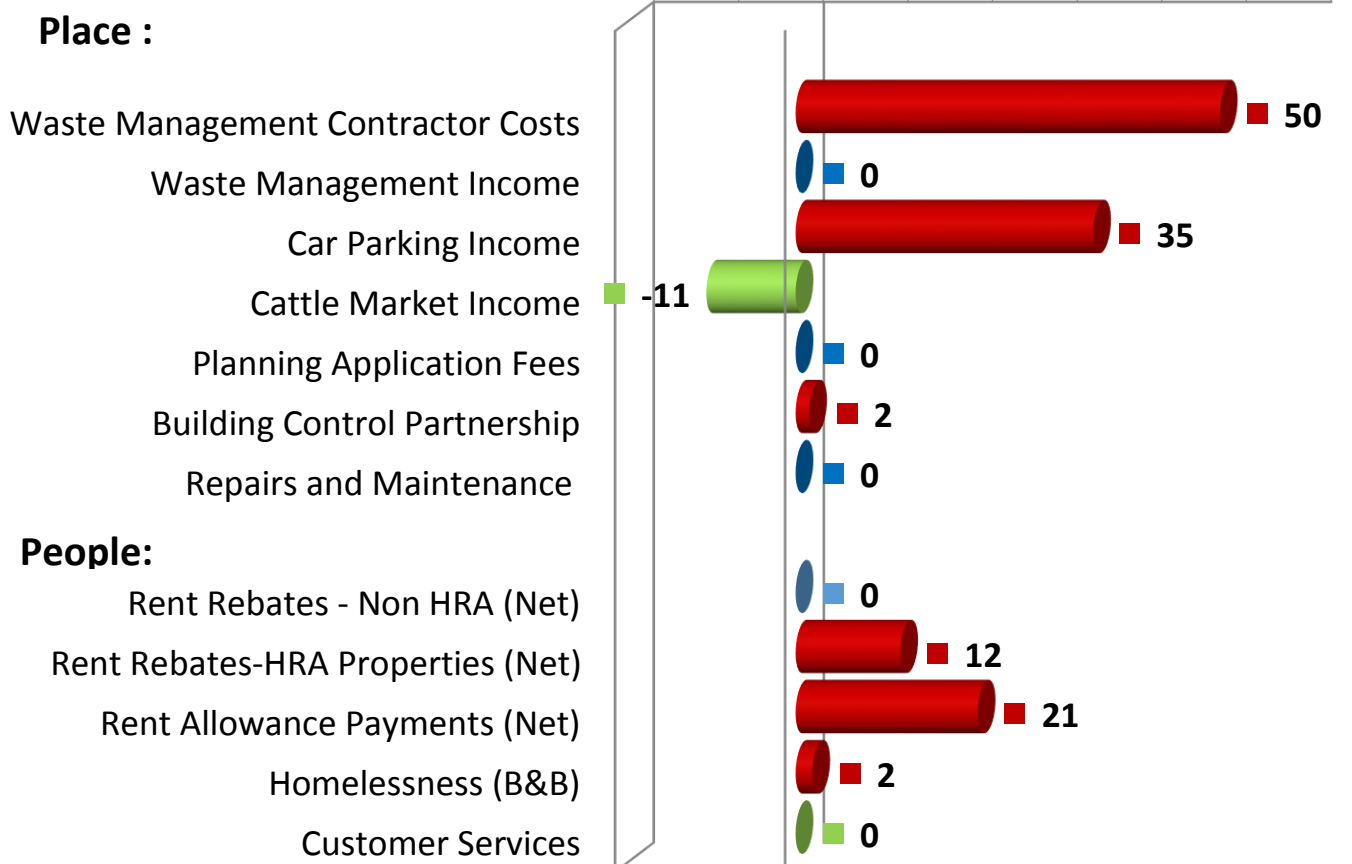
5.3 Key Service Areas

The Key Service Areas report as at the end of July 2022 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:

Key Service Areas

■ Overspending
■ On Budget
■ Underspending

£'000
-20 -10 0 10 20 30 40 50 60



5.4 As part of the budget setting process a number of savings were incorporated in the 2022/23 budget. The table below provides an update on the position of each saving:

Description	Amount	Update
Partnership arrangement with HDC for the delivery of lineline service – removal of website fees	£7k	On track to meet reduced budget
Discontinue lease of sidings	£9k	Sidings lease terminated and saving achieved
Discontinue subscription to new local	£6k	Complete
Discontinue subscription to engagement toolkit	£11k	Complete
Freeze vacant posts: <ul style="list-style-type: none"> • Project Officer • 0.13fte Elections Assistant • 0.5FTE Community Safety Admin • 0.2FTE Environmental Health Officer 	£65k	All currently remain vacant

5.5 Special Expenses

The predicted year end position for Special Expenses-Melton Mowbray is an overspend of £10k which is mainly due to the cemetery lodge remaining vacant and incurring costs and suffering loss of income.

There are no significant variations forecast on the closed churchyards at present.

5.6 Overall Capital Position at 31 July 2022

The capital programme summary is attached at Appendix B and the latest spend is forecast in line with the budget of £3.018m at this current time but there are some schemes which are awaiting further information which may alter the capital programme which is also summarised in the table below

	Total Budget 22- 23 (£'000)	Actual April to July 22 (£'000)	Year End Forecast (£'000)	Variance (-) = Underspend (£'000)
Great Council	249	0	249	0
People	40	25	40	0
Place	2,729	21	2,729	0
Total General Expenses	3,018	46	3,018	0

The key areas to note are:

- Great Council – There are a number of ICT projects which are yet to commence due to delays in worldwide supply chains which are expected to now be undertaken in the coming months.
- People – both the CCTV system and lifeline switch from analogue to digital projects are progressing.
- Place – the largest projects are around the new LAD2 and LAD3 energy efficiency programmes with work being undertaken to ensure spend meets grant conditions. Further works at Lake terrace have been undertaken to ensure compliance with the Environmental Agency requirements to ensure the site can stay operational.

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 August.

7.2 The latest financial position has 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 period 4 budget monitoring report that provides information on the forecast outturn for the Council for 2022-23. 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 to 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 numbers above exclude the impact on the pay award which is yet to be agreed. The budget includes an allowance for a 1.75% pay increase. Current negotiations at a national level suggest a much higher increase is being considered. Based on the latest pay offer the lowest impact could be in the region of £232k over that budgeted which would increase the forecast deficit for this financial year by that amount. There are also concerns regarding planning income as levels are down to date with officers closely monitoring for future applications to understand if this will also create an additional pressure.
- 9.3 The increased salary costs and the risk of the leisure management fee not returning to previous levels are ongoing issues that will need to be built into future budgets and were not included in the approved MTFs projections. As the council commences preparations for the 2023/24 budget it is apparent that these additional pressures as well as the impact of the current economic climate will make setting a balanced budget a challenge.
- 9.4 In recognition of the pressures in the current and future years the Senior Leadership team are looking at areas where in year savings can be made as well as pulling together a longer term financial sustainability plan. Should the situation not be mitigated sufficiently by this action then more directive action will be considered. Any shortfall at the year end will have to be met from reserves which will reduce the Council's financial resilience and ability to fund non recurring items for which the reserves are intended.
- 9.5 As outlined above the current position are based on forecasts and whilst officers have based their forecast predictions based on best available information there could be further changes 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 2022/23 Budget Report

17 Appendices

17.1 Appendix A – Key Service Areas

17.2 Appendix B – Capital Programme Summary

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