

Cabinet

16 November 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 30 September 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, cost of living impact included impending pay awards plus reduced income levels following the recovery from Covid. As at 30th September budget holders are forecasting the following year end overspends against their 2022/23 revenue budgets:

General Fund	£471k	Overspend
Special Expenses Melton Mowbray	£45k	Overspend

The above figures now include the forecasted impact of the intended pay award and potential loss of planning income.

- 1.3 In relation to capital budgets, budget holders are projecting an underspend of £779k against the latest approved programme.
- 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 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 30 September 2022:

A summary of the total income and expenditure for the General Fund and Special Expenses revenue budget compared to the approved budget at 30th September 2022 is as follows:

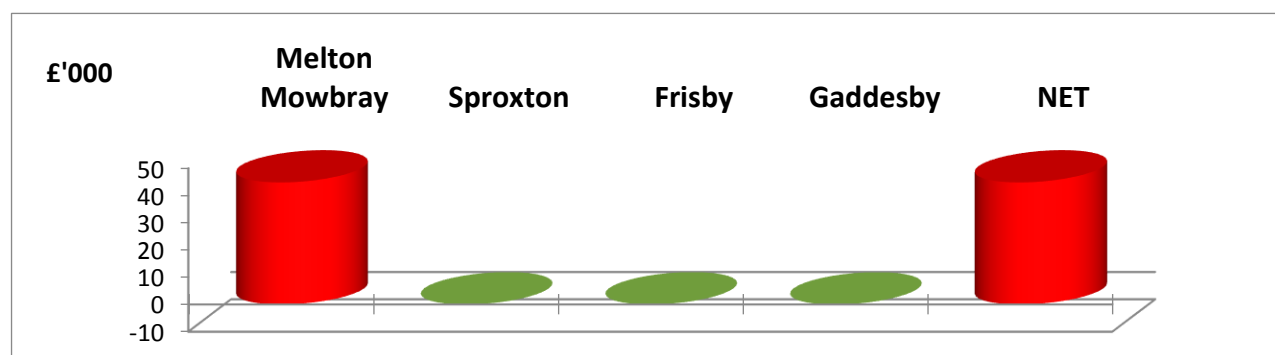
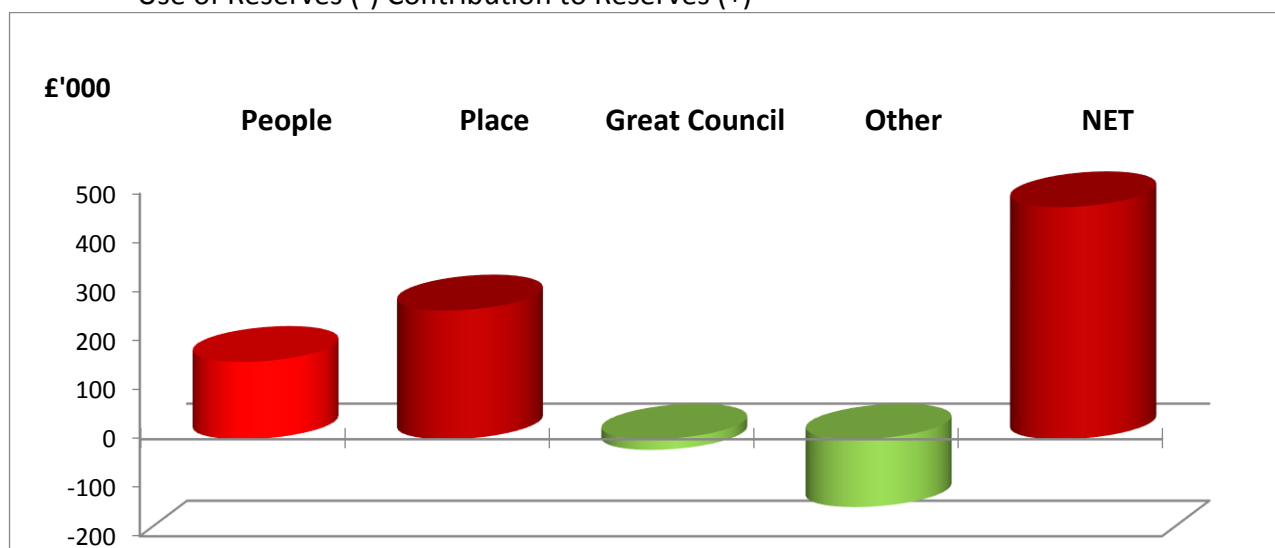
SUMMARY OF INCOME AND EXPENDITURE APRIL TO SEPTEMBER 2022

	Approved Budget at September '22 £'000	Year End Forecast £'000	Year End Variance* £'000
GENERAL FUND			
Portfolio:			
People	2,181	2,338	158
Place	5,002	5,265	263
Great Council	947	925	(22)
Pay Award/NI reduction	0	212	212
Total Service Cost - All Portfolios	8,129	8,740	611
Other Expenses	(2,998)	(3,138)	(140)
Net Expenditure Requiring Funding	5,131	5,602	471
Funded by:			
Ctax, NNDR, NHB and General Grants	(5,114)	(5,114)	0
Corporate Reserves**	(17)	(17)	0
NET UNDER/OVERSPENDING*	0	471	471
SPECIAL EXPENSES			
Melton Mowbray	637	681	45
Sproxton	6	6	0
Gaddesby	8	8	(0)
Frisby	6	6	0
Total Service Costs - Special Expenses	649	693	45
Other Expenses			
Interest and Investment Income	0	0	0
Depreciation Reversal	(86)	(86)	0

Other Expenses	(86)	(86)	0
Net Expenditure Requiring Funding	563	607	45
Funded by:			
Council Tax	(491)	(491)	0
Carry forwards	(17)	(17)	0
Reserves**	(55)	(55)	0
Total Funding	(563)	(563)	0
NET UNDER/OVERSPENDING*	(0)	45	45

* Underspending (-), Overspending (+)

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



5 Main Considerations

5.1 There are a number of reasons for the estimated forecast 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 specific variances within the figures set out above are as follows (underspends are denoted by the use of brackets):

People Portfolio:

- Rent Rebates and Rent Allowances £67k – 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.
- Community Safety (£28k) – Vacant Neighbourhood officer
- Environmental maintenance (£85k) – NNDR cost recharge to contractor for 5 years for Lake terrace which has been paid by MBC incorrectly which the Council is looking to recover.
- Customer Services (£26k) – Vacant Customer Services Lead post expected until end of the financial year.

Place Portfolio:

- Cattle Market (£11k) – latest throughput information from GillStream is showing income is up which is mainly related to animal auctions and the tavern.
- 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.
- Economic Development (£15k) – project officer vacancy saving (net after supporting Assistant Director interim arrangement).
- Car Parking £16k – Actuals are at 92% of the levels anticipated within the budget but expected to improve over the remainder of the year, however overall shortfall is still forecasted (£22K) plus Penalty Charge Notice income is also down (£12k). Partially offset by income from the COVID vaccination centre use of Burton Street car park.
- Environmental Health £57k – Assumed cost of £107k for animal welfare enforcement case, which following the successful court action and no appeal forthcoming, the majority of seized dogs have been rehomed and all additional costs have been received in the main. 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.
- Growth and Regeneration (£21k) – Salary savings from regulatory services manager vacancy.
- Planning income £233k - Indication that income will be below the expected budget. Average monthly income is £29k for the half year. Forecasting forward with the average monthly income plus three more expected larger applications in the region of £50k.

Great Council Portfolio:

- Interest Income (£140k) – Sharp increase in interest rates against those budgeted for linked to the rise in base rates.

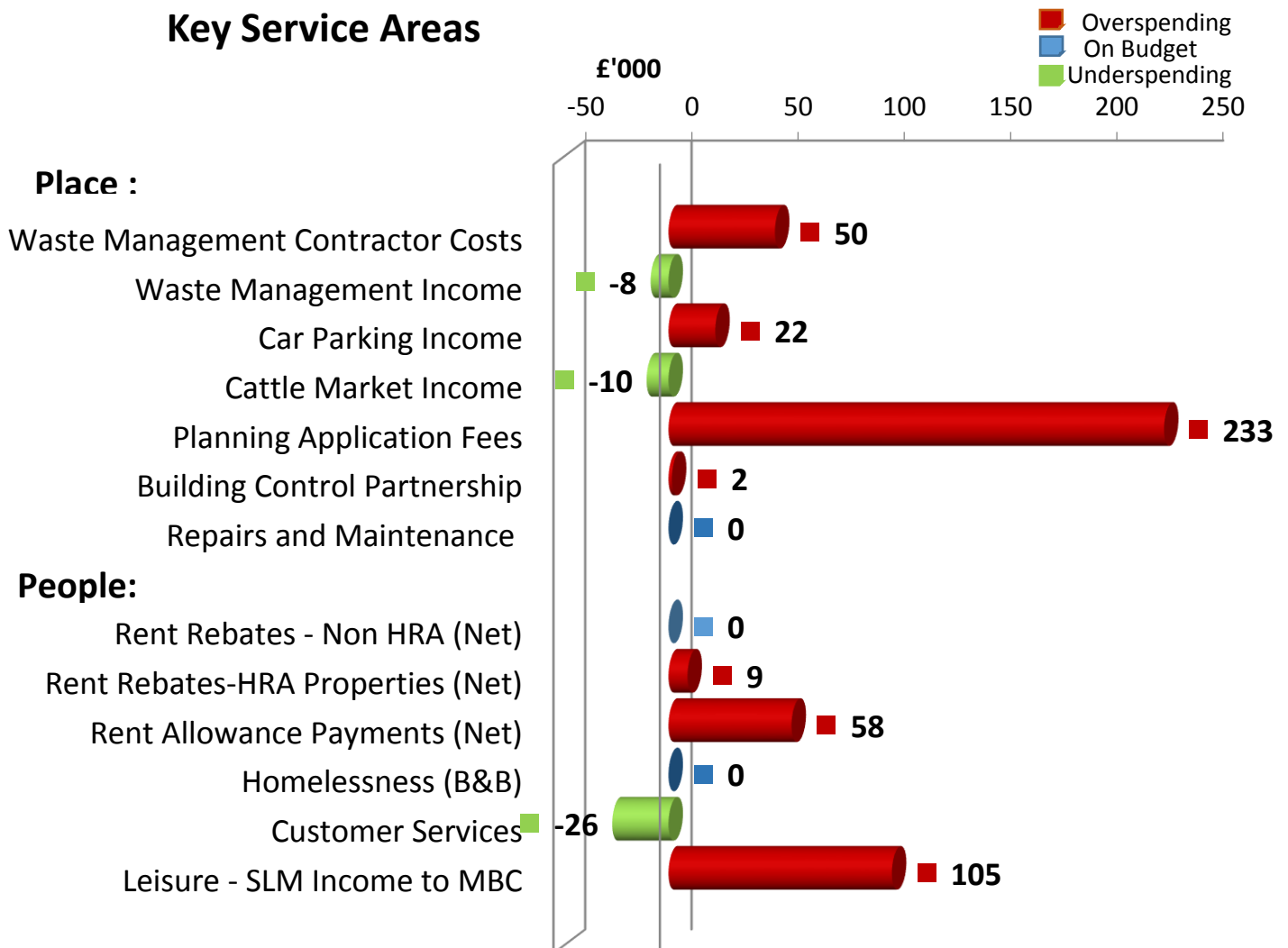
Other:

- Pay Award £212k – Assumed £1,925 on every spinal point compared to 1.75% budgeted which equates to a potential impact of £232k but has been slightly reduced by the ‘mini-budget’ NI rate reduction that has been confirmed.

5.3 Key Service Areas

The Key Service Areas report as at the end of Sept 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



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 lifeline 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

5.4 Special Expenses

The predicted year end position for Special Expenses-Melton Mowbray is an overspend of £45k which is mainly due to a reduction in burial income and 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.

5.5 Overall Capital Position at 30 September 2022

The capital programme summary is attached at Appendix B and the latest spend is forecast to be an underspend of £0.779m against a budget of 3.018m. all of the forecast underspend relates to grant funded project which would not result in any saving to the Council. However, 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 Sept 22 (£'000)	Year End Forecast (£'000)	Variance (-) = Underspend (£'000)
Great Council	249	0	249	0
People	40	25	40	0
Place	2,729	207	1,950	(779)
Total General Expenses	3,018	232	2,239	(779)

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 but some may need to be carried forward into 2023/24
- **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, however the LAD2 is complete with an underspend of £178k which will need to be paid back. Further works at Lake terrace have been undertaken to ensure compliance with the Environmental Agency requirements to ensure the site can stay operational. There is also large underspend on the DFG programme which officers are exploring with Blaby around options to utilise.

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 mid-year 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 increased salary costs, loss of key income 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 is preparing 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.
- 9.3 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.

- 9.4 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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