



General Fund Review & Capital Outturn 2022-23

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Lead Member/Relevant Portfolio Holder	Councillor Sarah Cox , Portfolio Holder for Corporate Finance & Resources

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 The report provides Members with information on the provisional year end for General Fund services for 2022/23 and the subsequent implications on the Council's balances and reserves. After taking into account the approved allocations to reserves and other adjustments the surplus for the year on General Expenses is £58k after allowing for carry forwards, which as approved by Council, will be transferred to the corporate priorities reserve. With regard to Special Expenses Melton Mowbray the net overspend is £53k after allowing for carry forwards which will increase the budgeted draw on the reserve. The final position is still subject to external audit approval.

- 1.2 In relation to the General Fund capital programme the latest approved budget is £2.615m, and the provisional outturn is £0.867m resulting in an underspend of £1.748m of which £1.319m will be carried forward into 2023-24.

2 Recommendation(s)

That Cabinet:

- Notes provisional year end position, variations to the 2022-23 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.

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 2022-23 and the table below shows the impact of the provisional year end against the latest approved budget.

	Approved Budget	Provisional Year End Position	Variance to Budget (Underspend) / overspend
	£'000	£'000	£'000
Original Net Budget	4,756	-	-
Approved c/fwds 2021/22	263	-	-
Supplementary Estimates	109	-	-
Revised Budget	5,128	5,149	21
Total funding	(5,114)	(5,640)	(526)
Net Surplus (-) / Deficit for year	14	(491)	(505)
Funded by			
C/fwd Reserve	(263)	(263)	0
Corporate Priorities Reserve	(98)	0	98
Net position	(347)	(754)	(407)
Contributions to reserves			
Regeneration & Innovation Reserve	347	328	(19)
Working Balance	0	116	116

Overall net position	0	(310)	(310)
Less c/fwds into 2023/24	0	263	263
Overall Surplus (-) / Deficit	0	(58)	(58)

- 4.1.2 The original net expenditure budget in respect of General Expenses for 2022-23 prior to council tax and grant funding was set at £4.756m, which was subsequently updated to an approved budget of £5.128m. The increase takes into account the budgets brought forward from the previous financial year (£263k) and supplementary estimates agreed in year (£109k). The budget reductions were funded through the use of the Corporate Priorities Reserve and the Regeneration and Innovation Reserve.
- 4.1.3 Following the approval of the supplementary estimates and carry forwards the approved net budget for 2022-23 provided for a balanced budget with a net transfer to the Regeneration and Innovation Reserve of £347k and a draw on the Corporate Priorities Reserves of £98k as shown from the overall net position in the table above.
- 4.1.4 The provisional year end position shows a net position of £491k which is an underspend of £505k when compared to the latest approved budget. After taking into account the previously approved reserve movements to fund expenditure and the restoration of the working balance to its target level at 31.3.23 of £850k as approved by Council, the overall provisional net position for 2022-23 is an underspend of £310k.
- 4.1.5 After, allowing for the approved carry forward amounts into 2023-24 of £252k the overall surplus for the 2022-23 financial year is £58k. This compares to the forecast overspend of £37k which was reported to Council in February when the budget for 2023/24 was set.
- 4.1.6 The key reasons for the underspend against the net income and expenditure budget of £505k can be categorised as follow:
- Additional business rates income due to the identification of a number of renewable energy sites for which the Council retains 100% of business rates and these have been backdated to the date they came onto the rating list creating a windfall in 2022/23 - £307k
 - Budget reductions identified and applied during the financial year as a response to the ongoing funding cost of living pressures - £117k
 - Increase in support charges to the HRA and Special Expenses in recognition of the significant pay and inflation pressures - £85k
- 4.1.7 During the course of the year and as part of the Councils ongoing response to funding pressures, specifically as a result of the cost of living inflationary impacts, 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.
- 4.1.8 The remaining movements, both over and underspends, relate to those budgets which are controlled by budget holders within service areas, and this is summarised in Appendix A. There are a number of over and under spends across the services which broadly balance each other out which shows the proactive approach the council took in year to manage the challenging budget position. This includes identifying a number of budget reductions to earmark funding to help with overspends in year which has helped the Council achieve an overall underspend.

4.1.9 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 as these are considered significant variances. 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 £252,370 and remains unchanged following the completion of provisional accounts.

4.1.10 KEY VARIANCES

4.1.11 General Fund – Underspends

- **Council Tax Collection (£67k)** – This mainly relates to a Ministry of Justice refund for summons costs in relation to prior years for council tax liability orders (£45k) plus additional income and savings within the service.
- **Miscellaneous Finance (£45k)** – Reduction in doubtful debt provision of £75k following year end calculation due to lower debt levels and in year write off of legacy debt. This has been partly offset by property fund provision contribution (£30k) as previously approved to mitigate the risk caused by potential fluctuations on this investment. The funding for this is adjusted elsewhere so no overall effect.
- **ICT (£80k)** - Various capital purchases in year have meant less requirement for maintenance and minor purchases of equipment, including fire walls and data centre. Professional services lower than anticipated due to staff resources and therefore delay in projects. £27k of this underspend is proposed to be carry forward.
- **Organisational Development (£29k)** - Saving from new e-learning portal. Also career graded post saving and part year vacancies for Customer Insight Officer and Admin Posts.
- **Car Parks (£33k)** – Income received in February and March from parking fees higher than anticipated.
- **Parkside (£115k)** – the majority of this underspend related to back dated income recovered for prior year invoices due from DWP. In addition to this there were also savings on annual maintenance costs.
- **Interest (£240k)** – additional investment income returns in excess of budgeted amount due to a significant and unexpected upturn up in interest rates over the past year.

4.1.12 General Fund – Overspends

- **Waterfield Leisure Centre (£83k)** – When the budget was set half the previous contracted management fee was expected in 2022-23 (£125k) however, the final agreement was for £20k plus profit share arrangement. Based on the latest open book accounts, and the significant and ongoing challenge facing the leisure sector due to

covid and inflation, the contract is running at a deficit and therefore no profit share will be received. This has been partly offset by underspend on the leisure procurement project but this is being carry forward into 2023-24 due to delay in timing of when costs will be incurred.

- **Melton Lifeline (£24k)** – Overspend relates to additional equipment purchase, pay award impact and reduced income which is partly offset by unused Ukraine grant funding which is being carry forward to fund the continuation of the Community Support Officer post in 2023-24.
- **Revenues and Benefits (£50k)** – Impact of pay award and anticipated £36k support from DWP re benefits software updates which is no longer received.
- **Corporate Property (£24k)** – Additional professional fees for undertaking condition survey work due to vacancies in year meaning this work needed to be outsourced. There was an underspend in reactive repairs which has been transferred to the repairs and maintenance reserve to help with future requirements.
- **Environmental Health (£71k)** – Additional costs were incurred as a result animal welfare enforcement case which the council was ultimately successful in. 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 and legacy Covid grants.
- **Development Control (£367k)** – there has been a number of financial impacts within the service including a £17k pay award impact and additional cost incurred on a professional fees for additional work on a viability study (£41k – it is hoped some of this cost can be recouped from developers but due to the uncertain nature this hasn't been allowed and will be a windfall in year). The majority of the overspend relates to unachieved planning application fees (£317k) against the budget. In relation to the planning income, in depth analysis has been undertaken by the service and established this trend is likely to continue for the foreseeable future. Following the outturn being at similar levels in the previous financial year, prudently the budget has already been set at a reduced level for 2023-24.

4.2 SPECIAL EXPENSES

4.2.1 A balanced budget was set for 2022-23 and the table below shows the impact of the provisional year end position against the latest approved budget for Special Expenses (Melton Mowbray):

	Approved Budget	Provisional Year End Position	Variance to Budget (Underspend) / overspend
	£'000	£'000	£'000
Original Budget	619	-	-
Approved c/fwds 2021/22	17	-	-
Revised Budget	636	657	21
Non-service related costs	(86)	(74)	12

Net Expenditure	550	583	33
Total Funding	(478)	(478)	0
Net Surplus (-) / Deficit for year	72	105	33
Funded by			
C/fwd Reserve	(17)	(17)	0
Special Expense Reserve	(55)	(55)	0
Overall net position	0	33	33
plus c/fwds into 2023/24	0	20	20
Overall Surplus (-) / Deficit for year	0	53	53

4.2.2 The net revenue expenditure in respect of Special Expenses (MM) for 2022-23 was originally estimated at £619k, which was subsequently updated to an approved budget of £636k. 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 2021-22 there is a variance against the approved budget of a £33k deficit plus £20k which is being carried forward into 2023-24, resulting in an overall £53k deficit in year which will be funded from the Special Expenses Reserve, an increase over the approved budget. The original budget already provided for £55k being funded from reserves so the overall movement on the Special Expense Reserve is £108k reduction.

4.2.3 The main reason for the overspend relates to cemeteries due to a full year loss of rental income for the Cemetery Lodge and associated costs including building compliance and utilities. In addition to this only £10k of the initial £30k growth bid for 2022/23 was spent and therefore the remaining £20k is being carried forward into 2023/24 relating to the feasibility work around provision for a new cemetery.

4.2.4 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 and Spoxton. No reserves are held for each churchyard due to the levels involved and any surplus or deficit is carried forward and adjusted for when setting council tax in the following year.

4.3 RESERVES AND BALANCES

4.3.1 In terms of the key specific reserves affected by the provisional outturn these are summarised in the table below:#

Specific Reserves	Corporate Priorities Reserve	General Fund working balance	Regeneration and Innovation reserve	Special Expense Reserve	Special Expenses working balance
	£'000	£'000	£'000	£'000	£'000
Balance as at 31.03.22	1,181	734	176	322	50

Contribution from / to (-) Revenue account	58	116	328	(108)	0
Provisional balance @ 31.03.23	1,238	850	504	214	50
Budgeted changes to Reserves 2022-23	(410)	150	44	(96)	0
Approved supplementary estimates 2023-24	0	0	0	0	0
Estimated balance @ 31.03.24	828	1,000	450	118	50

4.3.2 As a result of the above, the balance on the Corporate Priorities Reserve is expected to be £0.828m as at the end of 31 Mar 2024 after taking into account the improved provisional outturn for 2022/23 against that forecasted and the approved budgeted changes to the reserve in 2023-24. This is £236k higher than that reported to council in February 2023 when the budget was set for 2023/24.

4.3.3 The general fund working balance has increased by £116k to £850k at 31.3.23 in line with previous approvals, with a further contribution of £150k planned in 2023-24 to bring the overall balance in line with the target of £1m as approved by Council when the budget was set.

4.3.4 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 £118k. This is £8k lower than that reported to the Council in February 2023 (£126k). The difference on the Reserve can be accounted for as a result of the overspend during the year which was forecast to be £45k.

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

4.4 GENERAL FUND CAPITAL

4.4.1 In relation to the General Fund capital programme the latest approved budget is £2.615m and the provisional outturn is £0.867m resulting in an underspend of £1.748m, of which £1.319m will be carried forward into 2023-24.

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

Project	Original Budget	Under spend	Amount To Carry Forward To 23-24	Reason
	£'000	£'000	£000	
Disabled Facilities Grants (Private Sector Mandatory)	813	535	336	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	249	132	116	Due to the prioritisation of other projects and resourcing issues some projects have been delayed and will be undertaken in 2023-24 now.
LAD2 - Energy Efficiency Measures	355	178	0	The scheme is now complete with less properties than envisaged being able to access the funding once eligibility was assessed. The remaining funding has been returned to the grant provider.
EMT Vehicle/Frontline Service Machine replacement	180	180	180	Due to the timing of tenders and deliver timescales the new vehicles will be delivered in 2023-24 now.
Lake Terrace Waste Depot Refurbishment	152	76	76	Ongoing complex project which has experienced a number of delays but is expected to complete in 2023-24
Drainage at Melton Sports Village	50	47	47	Engineers report has been received, but no works will be carried out until Network Rail have completed remedial works along the railway line to drainage ditch and the pipe under the railway track.
LCC Education Infrastructure	250	250	250	The Council are to be invoiced by the County Council as various triggers / stages are met which has moved into the 2023-24 financial year.
Car Park Works	108	108	108	Officers are working with contractor to finalise specification of works, with the works expecting to commence in the new financial year. However, due to the delay the review of works required the final cost is anticipated to be £151k including a contingency element with the additional amount being funded from the General Repairs and Maintenance Reserve
Asset Development Programme	285	265	265	Work commenced but this is a long-term project linked to LLEP funding which will continue in 2023

5 Main Considerations

5.1 Considerations have been addressed in paragraph 4 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 1 June to 12 July 2023 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 2022-23 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 but are currently severely behind schedule as we are still awaiting the sign off the 2020-21 due to their resourcing issues.

9 Financial Implications

9.1 In summary, taking into account the in-year pressures the close monitoring of the budget and proactive action taken as a result has resulted in a better position overall for general expenses with an increase to the corporate priorities reserve over that forecast. The provisional overspend of £53k for Special Expenses is broadly in line with the forecast previously reported which will result in a reduction in the reserve for this area on top of the £55k which was already budgeted to be drawn from the reserve. This increases the pressure on this fund.

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 long promised funding review and ongoing impacts of the cost of living and inflationary increases.

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 2022-23, focus for the coming year and challenges that lie ahead.

9.4 The Council's medium term financial strategy approved in February 2023 when the budget for 2022-24 was approved provides forward forecasts for the next 3 financial year. These indicate potential deficits in later years 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. The increase to the general fund reserves over that forecast helps provide more resilience but the position remains challenging. With regard to Special Expenses Melton

Mowbray, as highlighted when the budget was set, the ongoing need to draw on reserves to balance the budget will need to be addressed with the reserves now only sufficient for approx. a further 2 years of support. Net expenditure will need to be reduced accordingly or council tax raised for this fund which will put pressure on general expenses budgets due to the overall council tax referendum limit.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

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

Legal Implications reviewed by: Natasha Taylor Deputy Monitoring Officer 23.06.23

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 It is still early in the 2023-24 financial year for budget monitoring but there are some further pressures expected specifically around the pay award for 2023-24 which is currently being negotiated and could be in excess of the 4% which has been budgeted for. Also, due to the ongoing cost of living impact on our leisure service the budgeted management fee of £250k from the leisure operator is unlikely to be received in full. The budget is also using reserves to balance so any further realised pressures will increase this draw on reserves and deplete the current levels.

15.2 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 remain challenging with a budgeted draw on these in 2023/24 which the unexpected increase in 2022/23 will help mitigate. In recognition of the pressures on the reserves the Working Balance has increased as the Council responds to the LGA review, moving towards the £1m target. 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.

15.3 In recognition of the financial challenge facing the Council 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	Failure to secure financial stability in the medium term. (This is a corporate level risk and is the overall risk arising from a number of high level risks associated with financial sustainability including the lack of certainty regarding the future level of government funding for local authorities and additional responsibilities not covered by new burdens funding).	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 None.

17 Appendices

17.1 Appendix A – General Fund Revenue Provisional Year End Position 2022-23

17.2 Appendix B – General Fund Capital Provisional Year End Position 2022-23

