



General Fund and Special Expenses – Budget Monitoring 1 April 2023 to 30 June 2023

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Chief Officer Responsible:	Dawn Garton , Director for Corporate Services 01664 502444 DGarton@melton.gov.uk
Lead Member/Relevant Portfolio Holder	Councillor Sarah Cox , Portfolio Holder for Corporate Finance and Resources

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 at 30 June budget holders are forecasting the following position against their 2023/24 revenue budgets:

General Fund	£15k	Underspend
Special Expenses Melton Mowbray	£5k	Overspend

On the general fund there is a gross £358k overspend for 2023/24 forecast across all services. This overspend is offset by non-specific grant income received in year and higher investment income predicted based on increased interest rates.

- 1.3 In relation to capital budgets, budget holders are projecting an overspend of £18k 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 Recommendations:

That Cabinet:

- 2.1 **Notes the year end forecast and financial position for the General Fund and Special Expenses at 30 June 2023 for both revenue and capital.**
- 2.2 **Approves the increase to the General Fund IT capital programme by £47k for the estimated increased expenditure on projects, and the additional need to draw from the IT repairs and renewals fund**

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.
- 3.2 Following the in-sourcing of ICT services, the increase in costs around firewall implementation and security concerns over authenticator apps, the IT capital programme needs increasing. The financing can be covered by the IT repairs and renewals fund.

4 Background

4.1 Overall Position at 30 June 2023:

A summary of the total income and expenditure for the General Fund and Special Expenses revenue budget compared to the approved budget at 30th June 2023 is as follows:

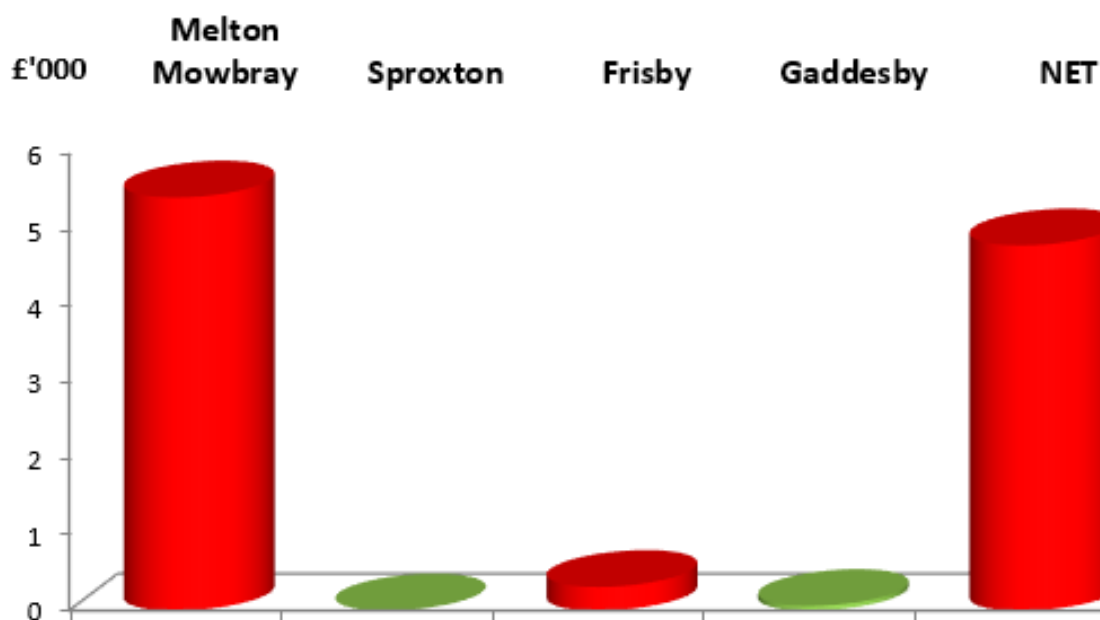
SUMMARY OF INCOME AND EXPENDITURE APRIL TO JUNE 2023

	Approved Budget at June '23 £'000	Year End Forecast £'000	Year End Variance* £'000
GENERAL FUND			
Portfolio:			
People	2,490	2,492	2
Place	5,301	5,484	183
Great Council	278	175	(103)
Pay Award	0	60	60
Total Service Cost - All Portfolios	8,069	8,211	142
Other Expenses	(3,222)	(3,379)	(157)
Net Expenditure Requiring Funding	4,847	4,832	(15)
Funded by:			
Ctax, NNDR, NHB and General Grants	(4,246)	(4,246)	0
Corporate Reserves**	(751)	(751)	0
NET UNDER/OVERSPENDING*	(150)	(165)	(15)
SPECIAL EXPENSES			
Melton Mowbray	718	723	5
Sproxton	6	6	0
Gaddesby	7	7	0
Frisby	6	6	0
Total Service Costs - Special Expenses	737	742	5
Other Expenses			
Interest and Investment Income	(2)	(2)	0
Depreciation Reversal	(97)	(97)	0
Other Expenses	(99)	(99)	0
Net Expenditure Requiring Funding	638	643	5
Funded by:			
Council Tax	(522)	(522)	0
Carry forwards	(20)	(20)	0
Reserves**	(96)	(96)	0
Total Funding	(638)	(638)	0
NET UNDER/OVERSPENDING*	0	5	5

* Underspending (-), Overspending (+)

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

Over/Under Spending by Category



5 Main Considerations

- 5.1 There are a number of reasons for the estimated forecast overspend of £358k on general expenses (before taking into account the non-specific grant income received and higher investment income predicted), as outlined in paragraph 4.3 below. Assuming full use of these funding resources, the forecast is a potential underspend of £15k.
- 5.2 This demonstrates the challenges facing the budget with overspends, some of which will impact on later financial years, having to be met from largely non-recurring grant and investment income.
- 5.3 The main variances within the figures above are as follows:

People Portfolio:

- Waterfield Leisure Centre – Potential Shortfall of up to £150k in operator management fee still subject to negotiation.

- Case Management (£23k), Customer Services (£21k) and Community Safety (£24K) – There are savings from part-year vacancies, recruitment at a lower spinal point, change in hours and appointment of an apprentice.
- Rent Rebates and Rent Allowances – Shortfall of £23k expected in overpayment recovery. Also slight variance expected in subsidy actuals however this will be refined further as part of the mid-year subsidy return.

Place Portfolio:

- Building Control £14k – Increase in partnership costs due to lack of applications and therefore loss of income. The general economic outlook and interest rate rises are having a detrimental effect on building improvements and new builds.
- Cattle Market (£13k) – latest throughput information from operator is showing income is up which is mainly related to animal auctions.
- Development Control £147k - Indication that income will be below the expected budget by £110k based on applications received to date. Potential value could be up to £260k however the forecast has been reduced to reflect the potential for some larger applications which are dependant upon the progress of the MMDR. Additional £29k fee claimed by LCC re bio-diversity demands and a further £8k for temporary employment to cover vacancies.
- Land Charges £16k – Shortfall in income predicted. Interest rates for mortgages are thought to be discouraging house purchases.
- Environmental Maintenance £12k – Tree surveys have identified works required. Cost is an estimate.
- Parkside (£25k) – Additional rental income is expected from temporary use of office space.

Great Council Portfolio:

- Corporate and Democratic Core (£11k) – There has been a change in the split of Special Responsibility Allowances (SRA's) following the elections. Some Members are now taking on more than one role however only one SRA is paid per Member. There is also one less portfolio holder and the Cabinet support Member has not been appointed.

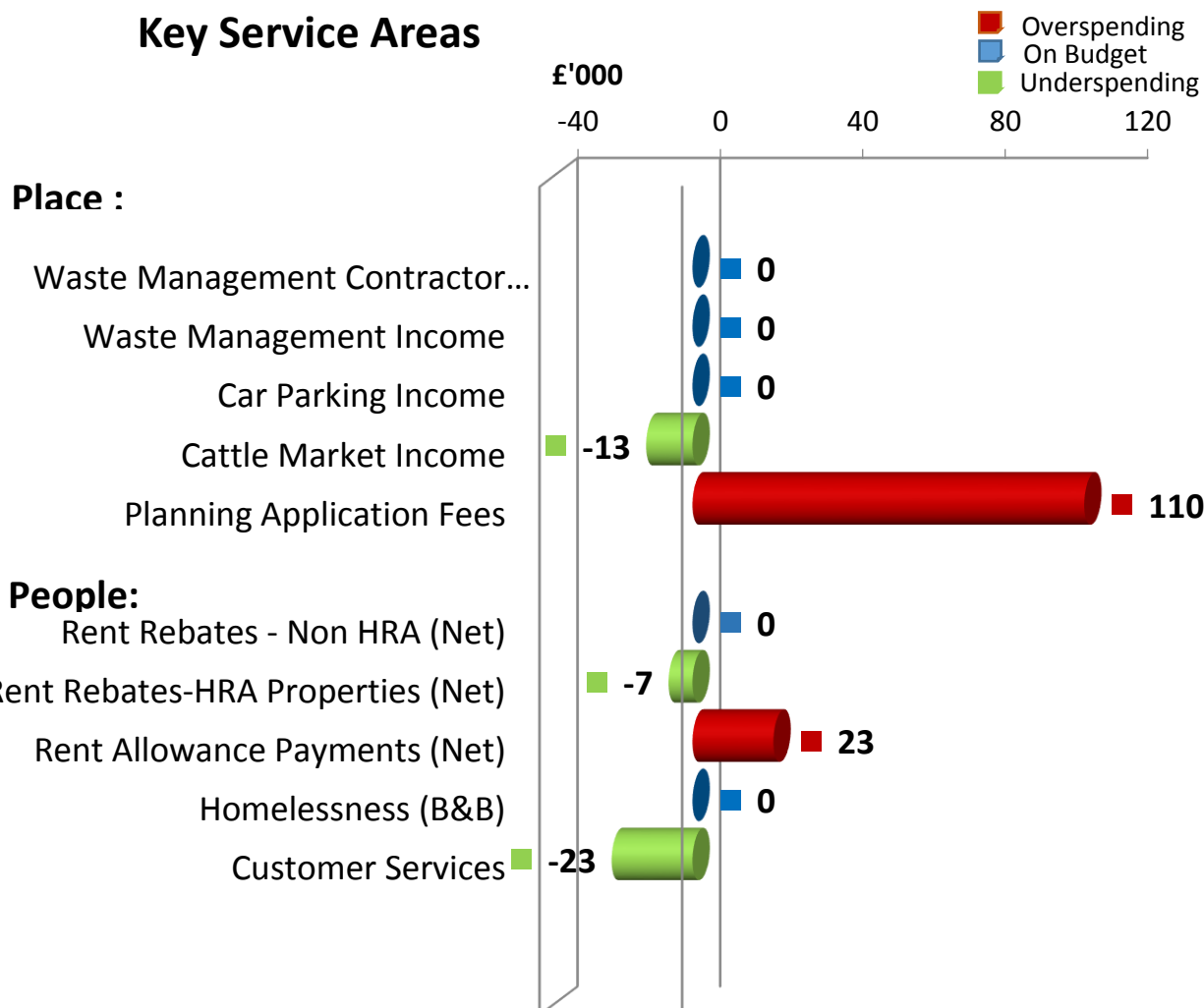
Other:

- Pay award – the budget includes an allowance for a 4% pay increase. Initial correspondence suggest £1,925 will be added to each spinal point for those earning up to £49,950, and a 3.88% increase for higher earners, leading to an estimated £60k overspend. The pay award is still under negotiation. This risk was considered by Members when the budget was set.
- Interest Income (£157k) – Increase in interest rates against those budgeted for linked to the rise in base rate.
- Grant Funding (£216k) – various grants received have been offered up towards corporate pressures. This includes Homes for Ukraine £18k, Asylum grant £97k and revenues and benefits new burdens funding £101k. there is the risk that some of this funding may be required to meet the requirements of the grants.

5.4 Key Service Areas

The Key Service Areas report as at the end of June 2023 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:



5.5 Special Expenses

The predicted year end position for Special Expenses Melton Mowbray is an overspend of £5k due to a public liability insurance claim.

There is also expected to be an overspend on the closed churchyard at Frisby due to repair and maintenance requirements for the boundary walls however this can not yet be quantified.

5.6 Overall Capital Position at 30 June 2023

The capital programme is attached at Appendix B and the latest spend is forecast to be an overspend of £18k against a budget of £15.815m.

	Total Budget 23-24 (£'000)	Actual April to Jun 23 (£'000)	Year End Forecast (£'000)	Variance (-) = Underspend (£'000)
Great Council	154	(13)	182	28
People	15	14	15	0
Place	15,646	151	15,636	(10)
Total General Expenses	15,815	152	15,833	18

The key areas to note are:

Great Council

ICT capital programme needs to be increased. A further £28k is required to cover all works required for the Network Access Controller (NAC), Privilege Access Management (PAM) and User Authentication works, part of which are audit requirements. The increased costs are as a result of firewall implementation costs increasing and also security concerns over authenticator apps meaning all users will require an NFC token whereas original budget assumed non-corporate mobile phone users only.

Following the in-sourcing of ICT services, one off investment works are required to support the implementation at a cost of circa £19k. This is not currently in the capital programme and therefore not shown in the table above.

Place

Cattle market farmers market works identified as part of previous condition surveys are no longer required and can be removed from the capital programme at budget setting (£13k).

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 July.
- 7.2 The report has also 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 Strategic Leadership Team meetings and further reports will be presented to Cabinet each quarter.

9 Financial Implications

- 9.1 This is the Quarter 1 budget monitoring report that provides information on the forecast outturn for the Council for 2023-24. 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 at the Strategic 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 Officers are closely monitoring the financial position on a monthly basis. The latest review as at the end of July for period 4 indicated a slightly increased underspend of £17.5k now being forecast.
- 9.3 The various overspends such as increased pay costs, biodiversity costs and loss of Waterfield management fee are on-going cost pressures not factored into the current MTFS. Planning fees would also need to recover substantially to not cause a further loss in later years. The grant funding of circa £200k is non-recurring and the interest rates are unlikely to remain at these heightened levels. Therefore these ongoing cost pressures will not be able to be met in future years without further recurring savings being identified.
- 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.
- 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: Alison McKane, 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 Data Protection Implications (Mandatory)

A Data Protection Impact Assessments (DPIA) has not been completed as there are no risks/issues to the rights and freedoms of natural persons.

13 Community Safety Implications

- 13.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report.

14 Environmental and Climate Change Implications

- 14.1 No implications have been identified.

15 Other Implications (where significant)

15.1 No other implications have been identified

16 Risk & Mitigation

16.1 These are assessed as part of the Corporate Services Risk Register

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				

Risk No	Mitigation
1	Senior Leadership/Directorate Teams reviewing the financial position. Availability of General Fund Balances.

17 Background Papers

17.1 2023/24 Budget Report

18 Appendices

18.1 Appendix A – Key Service Areas

18.2 Appendix B – Capital Programme Summary

