

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

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<b>Lead Member/Relevant Portfolio Holder</b>	<b>Councillor Sarah Cox</b> , Portfolio Holder for Corporate Finance Property and Resources

<b>Corporate Priority:</b>	Ensuring the right conditions to support delivery (inward)
<b>Relevant Ward Member(s):</b>	All
<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 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 September budget holders are forecasting the following position against their 2023/24 revenue budgets:

General Expenses	£46k	Underspend
Special Expenses Melton Mowbray	£14k	Overspend

On general expenses there is a gross £410k overspend for 2023/24 forecast across all services. This overspend is offset by non-specific grant income received in year (£185k) and higher investment income predicted based on increased interest rates (£271k).

- 1.3 In relation to capital budgets, budget holders are projecting an underspend of £263k 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 both general and Special Expenses at 30 September 2023 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 2023:

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

## SUMMARY OF INCOME AND EXPENDITURE APRIL TO SEPTEMBER 2023

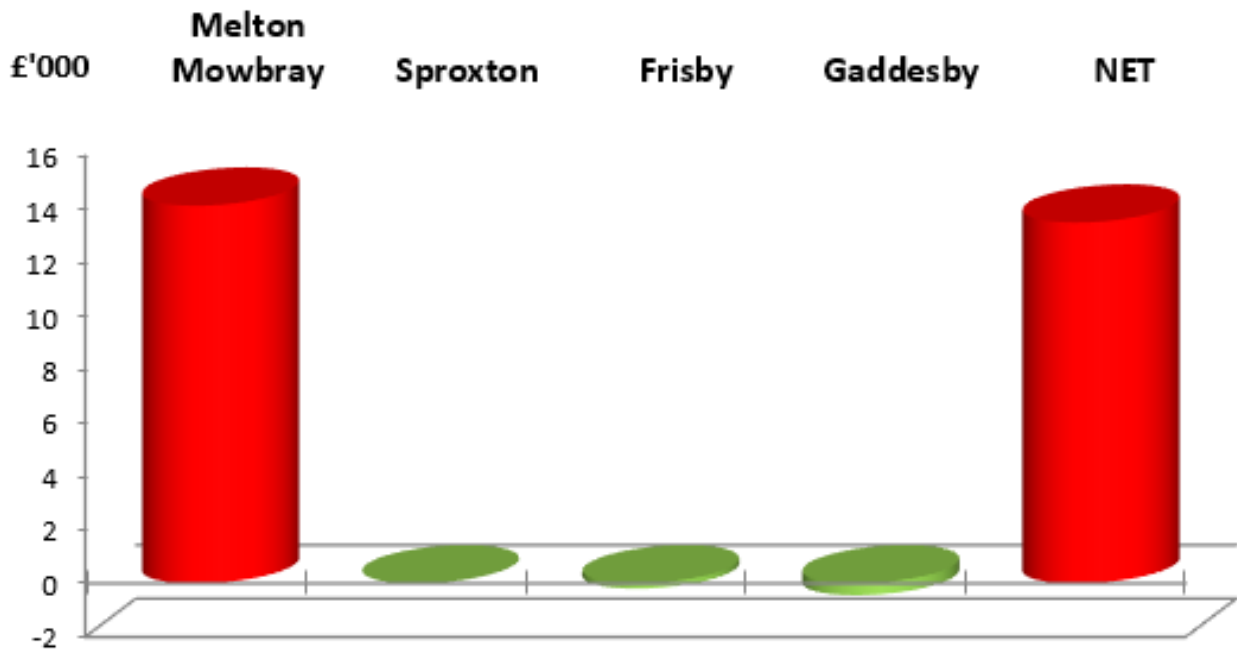
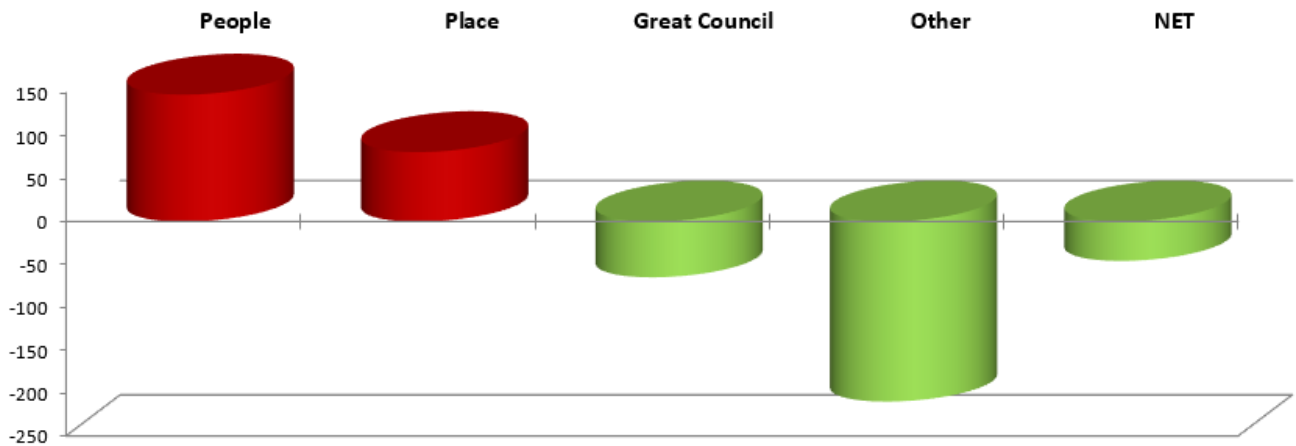
	Approved Budget at Sept '23 £'000	Year End Forecast £'000	Year End Variance* £'000
<b>GENERAL FUND</b>			
<b>Portfolio:</b>			
People	2,499	2,647	148
Place	5,292	5,373	81
Great Council	278	213	(65)
Pay Award	0	60	60
<b>Total Service Cost - All Portfolios</b>	<b>8,069</b>	<b>8,294</b>	<b>224</b>
Other Expenses	(3,222)	(3,492)	(270)
<b>Net Expenditure Requiring Funding</b>	<b>4,847</b>	<b>4,802</b>	<b>(46)</b>
<b>Funded by:</b>			
Ctax, NNDR, NHB and General Grants	(4,246)	(4,246)	0
Corporate Reserves**	(751)	(751)	0
<b>NET UNDER/OVERSPENDING*</b>	<b>(150)</b>	<b>(195)</b>	<b>(46)</b>
<b>SPECIAL EXPENSES</b>			
Melton Mowbray	718	732	14
Sproxtton	6	6	0
Gaddesby	7	7	(0)
Frisby	6	6	(0)
<b>Total Service Costs - Special Expenses</b>	<b>737</b>	<b>751</b>	<b>14</b>
<b>Other Expenses</b>			
Interest and Investment Income	(2)	(2)	0
Depreciation Reversal	(97)	(97)	0
Other Expenses	(99)	(99)	0
<b>Net Expenditure Requiring Funding</b>	<b>638</b>	<b>652</b>	<b>14</b>
<b>Funded by:</b>			
Council Tax	(522)	(522)	0
Carry forwards	(20)	(20)	0
Reserves**	(96)	(96)	0
Total Funding	(638)	(638)	0
<b>NET UNDER/OVERSPENDING*</b>	<b>0</b>	<b>14</b>	<b>14</b>

\* Underspending (-), Overspending (+)

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

## Over/Under Spending by Category

£'000



### 5 Main Considerations

- 5.1 There are a number of reasons for the estimated forecast overspend of £410k on general expenses (before taking into account the non-specific grant income received and higher investment income predicted), as outlined in paragraph 5.3 below. Assuming full use of these funding resources, the forecast is a potential underspend of £46k.
- 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 (£28k), Customer Services (£20k) and Community Safety (£14K) – 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 £60k 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 plus a number of write-offs to be actioned.
- Homelessness – recovery of B&B charges has reduced so income levels unlikely to be achieved (£21k). This is based on people placed in B&B which has significantly reduced from last few years.

#### **Place Portfolio:**

- Building Control £42k – 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.
- Car Parking (£13k) – income has been increasing and exceeding budget in the past few months.
- 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.
- Utility Costs £74k – latest bills are showing a significant increase in charges linked to the inflationary rises.
- Phoenix House (£150k) – one off back dated historical service charges for the last five years need to be invoiced to tenants.

#### **Great Council Portfolio:**

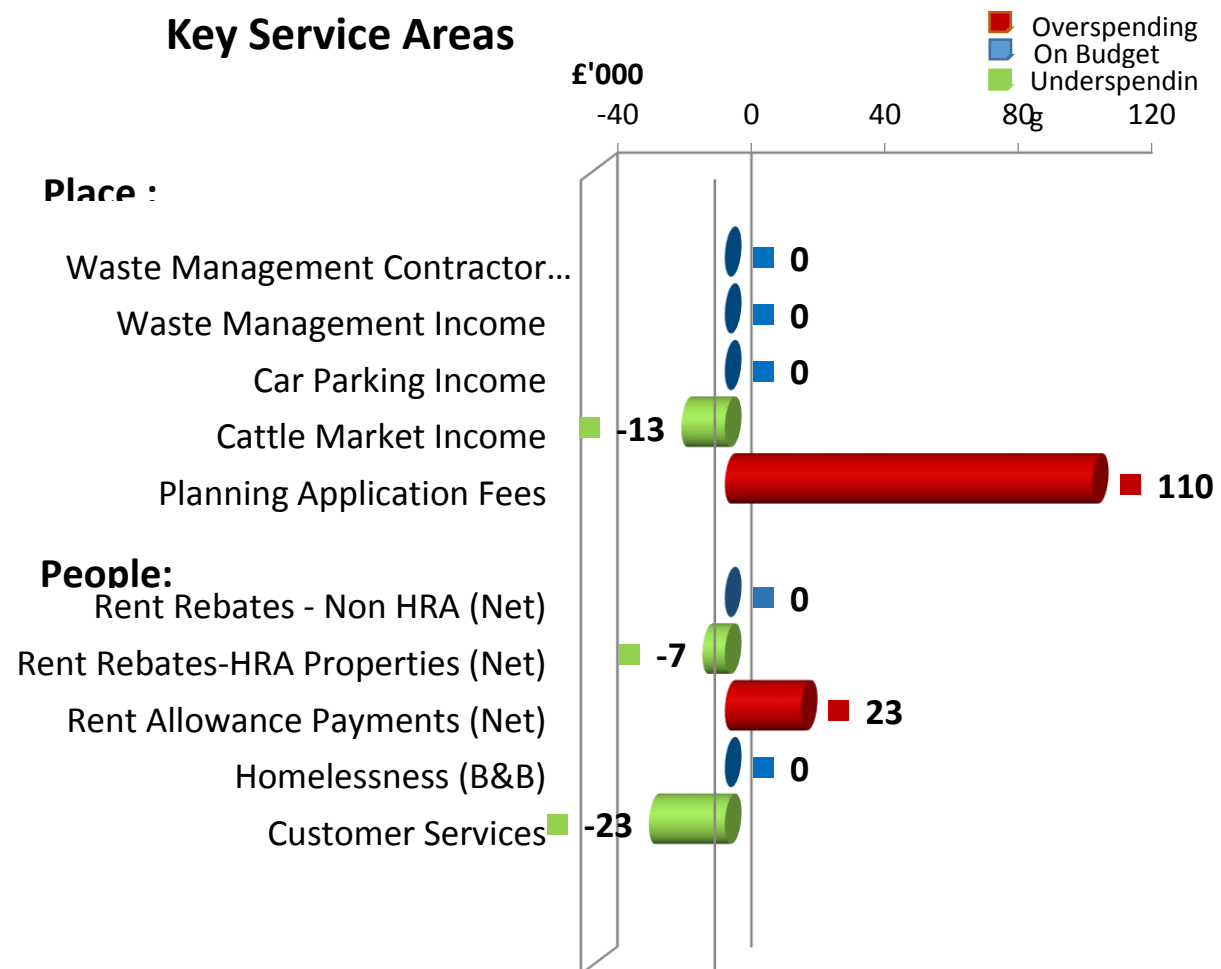
- Legal Services - Legal fees income expected to be higher due to number of summons issued. Cost of living impact (£14k) but this is being offset by additional agency fees to cover vacancies (£15K).
- Organisational Development – there has been a part year vacancy for the Customer Insight and experience officer alongside another employee not in pension scheme which is resulting in a underspend on salaries (£13k)
- NNDR Collection – £42k shortfall with the levy calculation is higher than budgeted (£16k) and the in-year monitoring has also identified an increased levy which is not fully off-set by increased Section31 grant (£26k).

**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 (£271k) – Increase in interest rates against those budgeted for linked to the rise in base rate.
- Grant Funding (£185k) – various grants received have been offered up towards corporate pressures. This includes Homes for Ukraine £18k, Levelling Up Fund £70k and revenues and benefits new burdens funding £97k. there is the risk that some of this funding may be required to meet the requirements of the grants.

**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:



## 5.4 Special Expenses

The predicted year end position for Special Expenses Melton Mowbray is an overspend of £14k due to a public liability insurance claim, purchase of vaults and reduction in income for the cemetery.

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. This could impact significantly on the level of council tax set for 2024/25 due to the low taxbase of this area.

## 5.5 Overall Capital Position at 30 September 2023

The capital programme is attached at Appendix B and the latest spend is forecast to be an underspend of £263k against a budget of £15.815m.

	Total Budget 23-24 (£'000)	Actual April to Sept 23 (£'000)	Year End Forecast (£'000)	Variance (-) = Underspend (£'000)
Great Council	201	(13)	201	0
People	15	14	15	0
Place	15,676	389	15,413	(263)
<b>Total General Expenses</b>	<b>15,892</b>	<b>390</b>	<b>15,629</b>	<b>(263)</b>

The key areas to note are:

### Great Council

The relates to ICT capital programme which has a number of projects that will be delivered but the majority of spend is anticipated to be undertaken later in this financial year.

### Place

The most significant item in this priority is the delivery of the Levelling Up Fund scheme which will be spread over a number of financial years but the total amount has been initially included in the capital programme for 2023/24.

MMDR (£250k) – The planned borrowing to fund the LCC Education Infrastructure capital contribution has been pushed back due to the latest announcement by the highways authority with regard to progressing the scheme to which this contribution is linked. As the scheme is unlikely to process in the foreseeable future the capital borrowing won't be required in 2023/24 and will be reviewed to see whether this should be formally taken out of the programme until timelines become clear again.

Condition survey asset works (£13k) – Cattle Market farmers market works are no longer required. Can be removed from the capital programme when the capital programme is set for 2024/25 and schemes reprofiled.

## **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 September.
- 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 2 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 September for period 6 (Q2) indicated a slightly increased underspend of £46k 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 £185k 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: Interim Assistant Director for Governance & Democracy (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