

Cabinet

16 September 2020

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

General Fund Budget Monitoring 1 April 2020 to 30 June 2020

Corporate Priority:	OG3 Becoming a more agile and commercial Council; securing our financial future
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 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. Copies of the budget holders' returns are available for further information.

1.2 As at 30th June budget holders are forecasting the following under/overspends against their 2020/21 budgets:

General Fund	£59,000	Overspend
Special Expenses	£2,000	Overspend

On the general fund there is a gross £1.3m overspend for 2020/21 forecast across all services alongside an additional prediction of £51k overspend from reduced investment income. This overspend is offset by additional Government funding of £1.52m to cover additional costs and loss of income relating to Covid-19. This forecast is based on best estimates of the likely grant from the income compensation scheme and makes not allowances for losses from council tax, NNDR and other bad debts.

1.3 In addition to formal quarterly reporting to Cabinet, the 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 June 2019 be noted.**

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 June 2020:

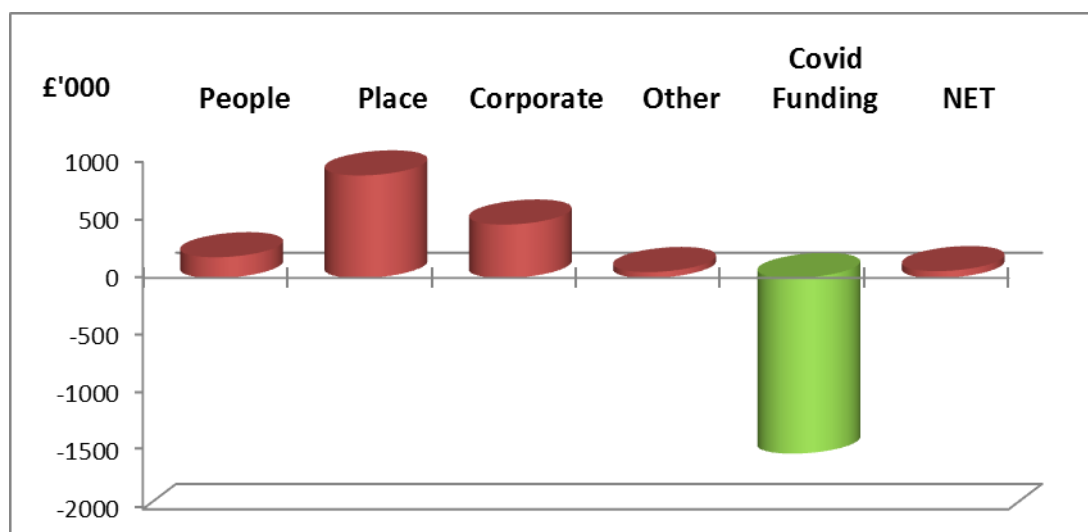
- 4.1.1 A summary of the total income and expenditure for the General Fund and Special Expenses compared to the approved budget at 30 June is as follows:

SUMMARY OF INCOME AND EXPENDITURE APRIL TO JUNE 2020

	Approved Budget at June '20 £'000	Year End Forecast £'000	Year End Variance* £'000
GENERAL FUND			
Portfolio:			
People	1,338	1,517	179
Place	3,736	4,623	887
Corporate Priorities	1,345	1,807	462
Total Service Cost - All Portfolios	6,419	7,947	1,528
Other Expenses	(1,160)	(1,109)	51
Covid Funding	0	(1,520)	(1,520)
Net Expenditure Requiring Funding	5,259	5,318	59
Funded by:			
Ctax, NNDR, NHB and General Grants	(4,839)	(4,839)	0
Corporate Reserves**	(420)	(420)	0
NET UNDER/OVERSPENDING*	0	59	59
SPECIAL EXPENSES			
Melton Mowbray	627	629	2
Sproxtton	6	6	0
Gaddesby	9	9	0
Frisby	6	6	0
Total Service Costs - Special Expenses	648	650	2
Other Expenses	(98)	(98)	0
Net Expenditure Requiring Funding	550	552	2
Funded by:			
Council Tax	(536)	(536)	0
Carry forwards	0	0	0
Reserves**	(14)	(14)	0
Total Funding	(550)	(550)	0
NET UNDER/OVERSPENDING*	0	2	2

* Underspending (-), Overspending (+) ** Use of Reserves (-) Contribution to Reserves (+)

Over/Under Spending by Category



5 Main Considerations

- 5.1 The key reason for the estimated overspend is due to the impact of Covid-19 on the council's finances as a result of increased expenditure in both in responding to the crisis or increased service expenditure as well as reduced income streams in a number of areas. The council has received grant funding to cover expenditure and there is an income compensation scheme in place which is still in its early stages with the final amount due to the council subject to refinement and clarification.
- 5.2 The figures shown above include the additional cost of the pay award which is now expected to be 2.75% rather than the 2% that was budgeted for.
- 5.3 The impact of lost revenue for any bad debts that are not recovered as well as any reduced growth has not been factored into the above projections as these are unclear at this stage of the financial year and also the cover that may be provided by the government for any lost income recovery from council tax and business rates. As a result of the increased net costs and the high risk that government support will not cover all of the financial impact steps have been taken to reduce or delay expenditure as much as possible. This includes delays to recruitment to generate vacancy savings where this is possible. This has generated service savings of £284k to date. The impact of these savings has been factored into the projections. It should be recognised that some of these savings may need to be offset against the income grant from the government however this has still to be assessed.
- 5.4 The main variances within the figures above are as follows:

People Portfolio:

- Waterfield Leisure Centre – Due to the closure of the Leisure Centre during the lockdown for Covid-19, the service will not receive its £250k Management Fee. In addition financial support is also being provided to ensure the facility is kept open and this is estimated to be a further £260k. A substantial portion of the management fee circa £180k is recoverable under the income compensation scheme.
- Customer Services – There are savings from vacant posts of £17k, offset by additional costs resulting from changes to computer software of £11k.
- Community Safety – Savings of £52k are expected due to 2 vacancies for Neighbourhood Support Officers
- Case Management – The Council has received an additional £11k grant funding from Bottesford, which whilst anticipated was not budgeted for, towards the cost of a youth club worker.

Place Portfolio:

- Environmental Health – A saving of £20k is expected as a result of a vacant Enforcement Officer post.
- Car Parks – Officers have modelled the impact of Covid-19 on Car Park income and are forecasting an income shortfall of £525k including both season tickets and enforcement.
- Cattle Market – As a result of Covid-19 the service is only expecting to receive a base level of income, resulting in a shortfall of £87k
- Development Control – Currently the service is forecasting a shortfall in income of £235k, although it is hoped that some of this will be recovered by the end of the year.

- Building Control - Based on the first quarters results an income shortfall of £56k has been forecast, however, the service is expecting the situation to improve over the rest of the year.
- Parkside – The Parkside budget assumed that the repository would no longer be needed, however, this has not been the case due to the capacity to introduce planned savings in this area resulting in an expected overspend of £16k
- Environmental Maintenance – Vacancy savings of £26k are expected in respect of an Environmental Services Officer post.
- Industrial Units – An overspending of £38k is expected as a result of vacant units together with associated costs and potential bad debts.
- Economic Development – Vacancy savings of £43k are expected together with savings from the deferral of work relating to Melton in Bloom and transport costs of £37k.
- Land Charges - Based on the first quarter's results an income shortfall of £36k has been forecast, however, the service is expecting the situation to improve over the rest of the year.
- Licencing – A shortfall in income of £14k is expected as a result of Covid-19.

Corporate Priorities:

- Corporate Management Team – The budget for planned efficiency savings from a personnel review are held within this service. £38k of these savings are not now expected to be achieved due to the capacity to introduce the changes at this time.
- Corporate Improvement Team – Savings of £30k are expected due to vacant Corporate Project and Corporate Engagement Officer posts.
- Human Resources and Communications – The Covid-19 epidemic has restricted the amount of training and travel expenses resulting in a saving of £32k. Additionally a vacant Health and Safety post will result in a further saving of £11k.
- Legal Services – A potential shortfall in Legal Fee income of £17k will be offset by savings from vacancy savings in respect of a Lawyer post.
- Covid-19 – Specific costs relating to managing the Covid-19 epidemic have been captured separately. The forecast spend on these activities is expected to be £498k including the Waterfield leisure costs.

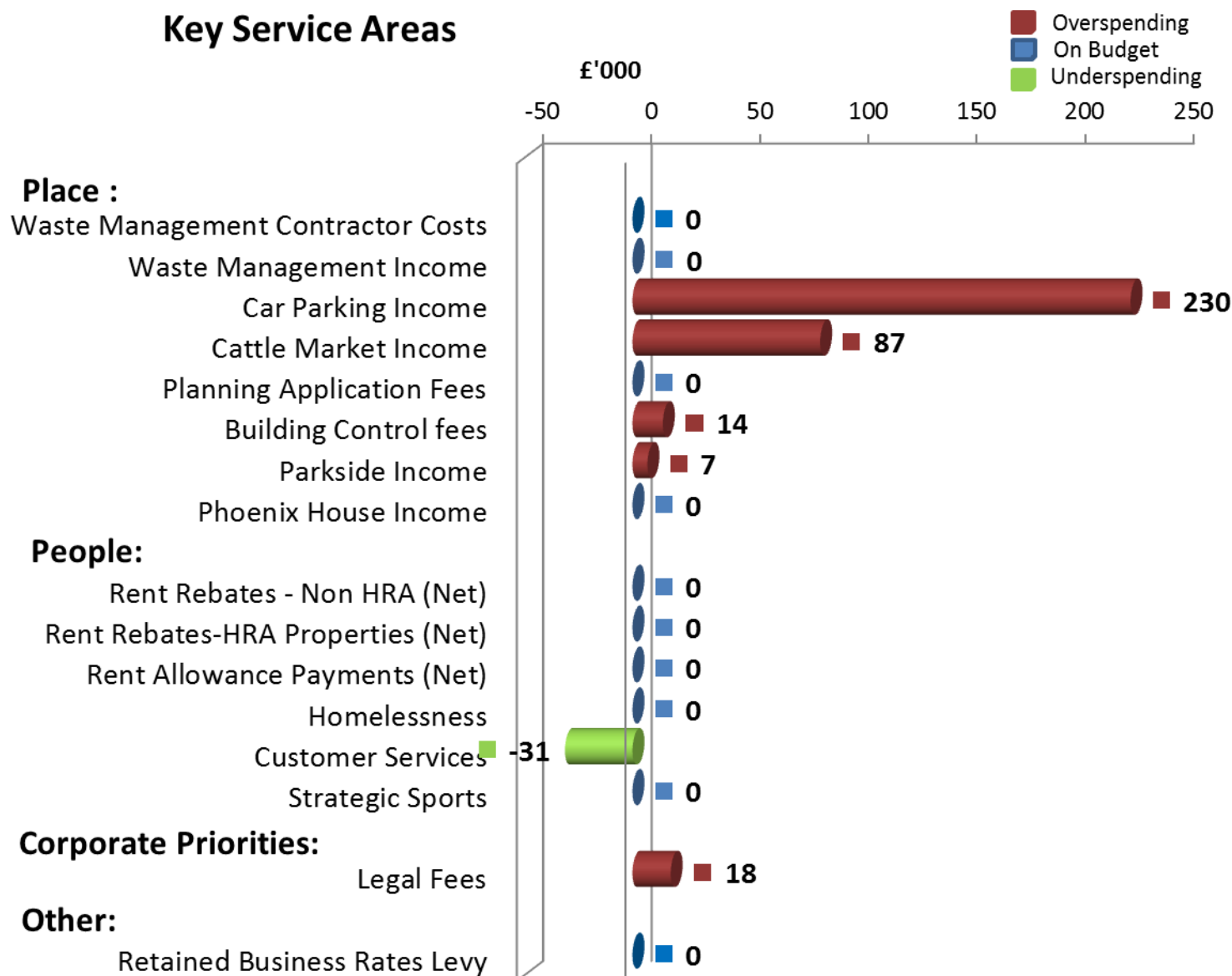
Other:

- Interest – Interest rates are being held at levels lower than were anticipated when the budget was set resulting in a shortfall in investment income of £51k

5.5 Key Service Areas

The Key Service Areas report as at the end of June 2020 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 costs. The Key Service Areas are summarised below:

Key Service Areas



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 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 2020-21. 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 The overall forecast impact of covid-19 on the Council's finance is as follows:

SUMMARY FINANCIAL IMPACT

	Estimated full Year Impact £'000
Income Stream Loss	1,311
Additional Spend	498
Savings not achieved	53
TOTAL IMPACT	1,862
FUNDING	
Govt Funding Tranche 2	507
Govt Funding Tranche 3	68
Income Cover	770
New burdens - RHLGF & SMGF	130
EDRF Funding - Highstreet	45
Total Funding	1,520
Net Impact of Covid	342
Savings from Q1 monitoring across services (Non - Covid)	-283
Forecast Net General Fund Overspending	59

- 9.3 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 similar overspend position with a slight improvement as a reduced overspend of £42k is now being forecast.
- 9.4 As outlined above the current position still remains uncertain and whilst officers have based their forecast predictions based on best available information there could be further impacts later in the year should any future local lockdowns occur which could happen during the winter months.

Financial Implications reviewed by: Section 151 Officer

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.

In view of the likely shortfall in funding for the predicted overspend, the Senior Leadership Team have agreed to implement budget reductions for specific savings that were identified in the forecasts to June 2020. These savings amount to £284k.

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.
- Budget reductions actioned following the Quarter 1 results

• 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 [2020/21 Budget Report and Budget Book](#)

17 Appendices

17.1 Appendix A – Key Service Areas

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