



REPORT of DIRECTOR OF RESOURCES

to
STRATEGY AND RESOURCES COMMITTEE
11 NOVEMBER 2021

BUDGETARY CONTROL (APRIL – SEPTEMBER 2021)

1. PURPOSE OF THE REPORT

- 1.1 To provide the Strategy and Resources Committee (the Committee) with information in relation to financial performance over the period 1 April to 30 September 2021.

2. RECOMMENDATION

That the Committee notes the forecasted 2021 / 22 financial position at the midway point of this financial year.

3. ANALYSIS OF KEY ISSUES

- 3.1 This report sets out the financial position and performance of some of the key areas of the Council's services / activities for the first two quarters of the financial year.
- 3.2 The basis of identifying the variance is against the forecast budgets based on budget manager's knowledge of expenditure and income patterns over the financial year.

4. REVENUE BUDGETS

- 4.1 The following table is an overview of current service forecast budget variances for the whole Council against the revised budget. It shows that employee costs make up just over half of Maldon District Council's (MDC's) gross expenditure and that there is a total current forecast expenditure underspend of £152k. However, there is a large income underachievement forecast of £753k. This is mitigated by non-ringfenced government grants which offset some of the service impact of COVID-19, and these are shown in Table 6 below.

Table 1 – Gross Service Income and Expenditure

Spend Type	Original Budget £000	Revised Budget £000	% of Gross Exp	Forecast Variance £000
Employee Costs	8,900	8,987	50.3	(204)
Non-Employee Costs	8,498	8,878	49.7	52
Gross Expenditure	17,398	17,865	100.0	(152)
Income	(7,946)	(7,946)		753
Net Service Expenditure	9,452	9,919		601

- 4.2 The Original Budget is the budget approved by the Council on 23 February 2021, excluding Housing Benefit payments, Covid Grants, and capital and pension fund charges. The Revised Budget is the current budget after the approved amendments since then. The following table shows this reconciliation:

Table 2 – Budget Reconciliation

Description	Amount £000
Original budget	9,452
Revenue commitments	406
Supplementary estimates	17
Mid-year growths	44
Revised budget	9,919

- 4.3 The next table shows the top 81% of expenditure areas for MDC, along with their respective percentages of total expenditure and forecast variances.

Table 3 – Top Expenditure Areas

Expenditure	Budget £000	% of Exp	Forecast £000	Forecast Variance £000	Actuals @ 30 Sep £000
1. Refuse and Recycling	3,292	37.1	3,473	181	1,263
2. IT Software & Hardware	670	7.5	637	(33)	175
3. Planning Policy and Local Development Plan (LDP)	576	6.5	576	0	29
4. Street Cleansing	505	5.7	513	8	219
5. Property and Equipment Maintenance	418	4.7	353	(65)	152
6. Parks Operations	332	3.7	312	(20)	126
7. Business Rates	290	3.3	285	(5)	285
8. Housing Benefit Overpayments	238	2.7	88	(150)	(0)
9. Elections	221	2.5	243	22	101
10. Homeless Accommodation	175	2.0	184	10	63
11. Professional Services (incl. Internal Audit)	153	1.7	161	7	45
12. Leisure Centre Management Fee	143	1.6	146	3	73
13. Insurance	142	1.6	142	0	0
Total	7,154	80.6	7,113	(41)	2,529

4.4 Variance Analysis

- 4.4.1 The small expenditure budgets not listed above are expected to overspend by £93k. This includes a contribution from MDC towards the Essex Council Tax Sharing agreement of £115k due to a drop-in collection rate of Council Tax last financial year.
- 4.4.2 At the halfway stage of the financial year, most service areas are forecast to spend near to budget, so the below analysis only explains the larger variances.
- 4.4.3 Refuse and recycling continues to operate at the high volumes seen since the pandemic began. Due to the need to hire an additional vehicle this service is likely to overspend by £181k. This will only partially be offset by higher income. These are shown in more detail in **APPENDIX 2**. There is additionally the risk of the nationwide shortage of HGV drivers causing further cost pressures.
- 4.4.4 The forecast IT underspend of £33k is due to the move this year from acquiring new software to only paying for their annual licences and maintenance. IT costs are broken down in more detail in **APPENDIX 4**.
- 4.4.5 Buildings and parks equipment maintenance is underspending by £65k due to low activity periods during periods of restrictions in the first quarter of this financial year.
- 4.4.6 This was also the case for Parks operational expenditure, such as utility costs.
- 4.4.7 Housing Benefit (HB) overpayments are actually a deduction against HB Subsidy but are largely recovered by invoicing the respective claimants as well. Budgeting for overpayments as well as lost subsidy has caused an ongoing underspend of £150k.
- 4.4.8 The overspend against Elections is offset by income as there was no full district election this year and other elections have been externally funded. The budget relating strictly for the district election will actually be carried forward to 2023 / 24 when the next one will take place.
- 4.4.9 Compensation payments have been incurred by MDC due to the leisure service provider not being able to meet its income targets during and after the Covid-19 lockdown. Since the lifting of restrictions, users have been returning to the leisure centres meaning compensation payments should be lower than last year, however these are still projected to be £146k. This is in place of the usual £143k contract payment for the Dengie Hundred centre.
- 4.4.10 The table below shows the top income areas for MDC, along with their respective percentages of total income and forecast variances. Although income levels are looking better than last year, some budgets are still forecast to underachieve.

Table 4 – Top Income Areas

Income Area	Budget £000	% of Inc	Forecast £000	Variance £000	Actuals to 30 Sep £000
1. Refuse and Recycling	(2,164)	26.8	(2,223)	(59)	(1,051)
2. Car Parking	(1,284)	15.9	(1,170)	114	(701)
3. Development Control	(823)	10.2	(782)	42	(391)
4. Blackwater Leisure	(637)	7.9	(8)	629	(8)

Income Area	Budget £000	% of Inc	Forecast £000	Variance £000	Actuals to 30 Sep £000
Centre					
5. Properties / Leases	(345)	4.3	(347)	(3)	(183)
6. Revs & Bens Admin Grants	(254)	3.1	(269)	(14)	(160)
7. Attractions	(179)	2.2	(96)	83	(68)
8. Building Control	(152)	1.9	(160)	(8)	(80)
9. Homelessness Grant	(142)	1.8	(143)	(1)	(143)
10. Cemeteries	(139)	1.7	(139)	0	(83)
11. Essex County Council (ECC) Council Tax Sharing	(124)	1.5	(104)	20	(52)
12. Land Charges	(124)	1.5	(124)	0	(61)
13. Springfield Industrial Estate	(115)	1.4	(126)	(11)	(63)
14. Splash Park	(110)	1.4	(57)	53	0
15. Court Costs	(105)	1.3	(55)	50	0
16. Precept Income	(103)	1.3	(57)	46	(57)
17. Licensing	(100)	1.2	(85)	15	(65)
18. Elections	0	0.0	(102)	(102)	(113)
Total	(6,900)	86.8	(6,093)	807	(3,279)

4.5 Variance Analysis

- 4.5.1 Income from income budgets less than £100k overachieved by £54k. This included an apprentice incentive payment, 'other income' received across the various parks, and housing benefit for higher homelessness than expected.
- 4.5.2 Refuse and Recycling income is overachieving its budget by £59k due to the ongoing higher levels of recycling credit payments and garden waste customers. These are shown in more detail in **APPENDIX 3**.
- 4.5.3 Income from car parking in the town centres has not recovered to the levels seen before the pandemic, although the Promenade Park car park has recovered well. This still leaves an expected budget underachievement of £114k.
- 4.5.4 All Development Control budgets forecast on budget except a £72k budget for Planning Performance Agreement's (PPA's), where this income is only forecast to achieve £30k. Hence the £42k budget pressure. PPA's are a mechanism for us to create income through providing an enhanced planning process for developers, ensuring that their application is considered by an agreed date. However, they have proven difficult to put in place.

- 4.5.5 The Blackwater Leisure Centre contract includes income to MDC of £637k, as budgeted. Although customers are returning to fitness centres, because the service provider is still underachieving their overall income targets, they will not be able to pay the Council this financial year. A Retail, Hospitality and Leisure Grant Fund (RHLGF) payment of £8k is likely to be the only income against this budget this year.
- 4.5.6 The Maldon District usually hosts many attractions but many of these have been affected by Covid-19 restrictions imposed. This will mean this kind of income will underachieve by £83k.
- 4.5.7 Latest figures from the ECC Council Tax Sharing agreement show a small income underachievement of £20k due to lower collection rates, which are affected by the pandemic.
- 4.5.8 Maldon Promenade Splash Park opened late and closed early due to various Covid-19 issues. It therefore underachieved its income budget by £53k.
- 4.5.9 No court cost income was received last financial year. This income covers the cost of officer time for debt recovery work and court appearances. Summonses to courts have only recommenced in September 2021 so only £55k of the income target of £105k is likely to be achieved.
- 4.5.10 The elections income is external funding for elections other than the district election, which took place in May 2021.

5. SALARY MONITORING AS AT 30/09/21

- 5.1 The proposed national pay award would give staff a 1.75% pay-rise, although this may not be resolved with unions for some time yet. A 2% pay-rise was budgeted for as is still being forecast. A number of short-term in-year vacancies, some of which have been filled by temporary staff, bring about a forecast underspend of £204k.
- 5.2 The table below gives an analysis of MDC's salary variances by directorate.

Table 5 – Employee Variances

Directorate	Revised Budget £000	Forecast £000	Variance £000	Actuals to 30 Sep £000
Service Delivery	5,232	5,087	(145)	2,435
Strategy Performance and Governance	1,501	1,439	(89)	686
Resources	2,026	2,035	9	936
Total Employees	8,758	8,562	(196)	4,056
Members Allowances	229	221	(8)	110
Total Remuneration	8,987	8,783	(204)	4,166

6. IMPACT ON GENERAL FUND BALANCE

- 6.1 The next table sets out the Council's total anticipated overspend, less mitigating Covid-19 grants from Central Government.

Table 6 – Total Budget Variance

	Variance £000
Net Service Expenditure	601
COVID Contingency	(371)
Income Compensation Scheme	(58)
Plus Investment Income Variance	(60)
Total Budget Variance	112

- 6.2 Income from local taxation is not estimated to reduce again following the decrease in council tax and business rates collections during last year due to the pandemic. Unfortunately, collection rates have only recovered modestly so far this financial year.
- 6.3 The Government has paid the Council a grant totalling £306k to provide financial support for the costs incurred because of Coronavirus, along with a Lower Tier Services Grant of £65k. These formed this year's Covid Contingency budget.
- 6.4 There is also the continuation of the income compensation scheme to reimburse Council's for the loss of fees and charges for the first quarter of 2021 / 22. Reimbursement is offered at a rate of 75% on 95% of losses below budget on eligible income to 30/06/21 only. A claim has been submitted to Central Government, which, if confirmed by them, will benefit the Council a further £58k.
- 6.5 Investment income is also performing better than predicted before this financial year due to maintaining a higher level of average balances invested than originally anticipated.

Table 7 – Predicted General Fund Balance

	£000
Opening General Fund Balance	5,800
Less Budgeted Use of Reserve	0
Less Supplementary Estimates	(17)
Less Mid-Year Growths	(44)
Less Net Cost of Services Variance	(112)
Closing General Fund Balance	5,627

- 6.6 All movements shown in this table are explained earlier in the report except for the Investment Income variance which has come about by better than expected returns from property, shares and bonds investments.
- 6.7 This table also significantly shows that the general fund balance would remain above the minimum recommended level of £2.6m. A minimum level of reserve is set to ensure the Council has the financial resilience to respond to emergencies and unforeseen events such as the current pandemic. However, if it did fall below the minimum level it would need to be replenished in future years.

7. APPENDIX 1 – CAPITAL PROJECTS MONITOR AS AT 30/09/21

- 7.1 This appendix lists the capital projects in progress this year. Despite low spend so far, many projects are still in the procurement process, so expenditure will rapidly increase during the second half of this financial year. All capital projects are expected to be completed by 31 March 2022.

8. CONCLUSION

- 8.1 Although the success of the vaccine has meant Council operations are returning towards normality, the lingering impact of the Coronavirus Pandemic has had a direct impact on the Council's ability to operate within its budget. It continues to result in income shortfalls and expenditure overspends. Salary underspends and Government grants have largely mitigated this, leaving a small budget shortfall to come out of the General Fund.
- 8.2 Ongoing responsible Budget Control is required not to exacerbate this position. This continues to require the conscientious pursuit of income and spending discipline as Covid grants do not cover 100% of Covid losses.
- 8.3 It is also important to note that some expenditure and income items are accounted for at the end of the year, whilst not all income due to the Council for chargeable work or services performed by the Council or payments by the Council for work or services it has purchased / received as at 30 September 2021 will be included in the figures above due to process lags. The information within this report is that which is recorded in the Council's financial management system up to 30 September 2021.

9. IMPACT ON STRATEGIC THEMES

- 9.1 This report links to 'delivering good quality, cost effective and valued services'.

10. IMPLICATIONS

- (i) **Impact on Customers** – None directly.
- (ii) **Impact on Equalities** – None identified.
- (iii) **Impact on Risk** – No corporate risk issues associated with this report.
- (iv) **Impact on Resources (financial)** – Variances from the budget will impact upon the level of balances and/or reserves available in the future.
- (v) **Impact on Resources (human)** – None.
- (vi) **Impact on the Environment** – None.

Background Papers: None.

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