



**REPORT of
DIRECTOR OF RESOURCES**

to
STRATEGY AND RESOURCES COMMITTEE
6 OCTOBER 2022

BUDGETARY CONTROL REPORT AS AT 31 JULY 2022

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 2021 to 31 July 2022.

2. RECOMMENDATION

That the Committee notes the forecasted 2022 / 23 financial position as at 31 July of this financial year.

3. SUMMARY 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 four months 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 service forecast expenditure overspend of £286k. Non-employee costs are expected to be close to budget, however, there is an income overachievement forecast of £70k.

Table 1 – Gross Service Income and Expenditure

Spend Type	Original Budget £000	Revised Budget £000	% of Gross Exp	Forecast Variance £000
Employee Costs	9,678	9,877	52.1	367
Non-Employee Costs	8,718	9,095	47.9	(11)
Gross Expenditure	18,396	18,972	100.0	356
Income	(7,738)	(7,738)		(70)
Net Service Expenditure	10,658	11,234		286

- 4.2 The Original Budget is the budget approved by Council on 24 February 2022, 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	13,736
Revenue commitments	350
Supplementary estimates	229
Revised budget	14,315

Expenditure

- 4.2.1 The next table shows the top 74% of expenditure areas for MDC, along with their respective percentages of total expenditure and forecast variances. An explanation for the variances is explained further below.

Table 3 – Top Expenditure Areas

Expenditure	Budget £000	% of Exp	Forecast £000	Forecast Variance £000	Actuals @ 31 July £000
1. Refuse & Recycling	3,996	40.5%	3,958	(38)	685
2. IT Software & Hardware	688	7.0%	689	1	(82)
3. Street Cleansing	550	5.6%	587	37	146
4. Property & Equipment Maintenance	454	4.6%	473	19	113
5. Planning Policy and Local Development Plan (LDP)	397	4.0%	397	0	57
6. Parks Operations	289	2.9%	315	26	73
7. Business Rates	275	2.8%	275	0	267
8. Professional Services (incl. Audit)	267	2.7%	267	0	(81)
9. Homeless Accommodation	186	1.9%	186	0	19
10. Insurance	132	1.3%	132	0	0
11. Leisure Management Fee	113	1.1%	57	(56)	0
Total	7,348	74.4	7,337	11	1,207

Variance Analysis

- 4.2.2 Refuse & Recycling – A number of changes have taken place with waste management so far this financial year, resulting in a small forecast underspend against budget overall; (i) plastic recycling sacks increased in cost due to a supplier pulling out and a subsequent new contract needing to be signed, (ii) garden waste costs increased due to a change in legislation for the use of red diesel,

(iii) household dry recyclable costs decreased due to additional properties being removed in July, (iv) food and garden waste costs also reduced due to volumes falling during the long hot summer.

- 4.2.3 IT Software & Hardware – These costs should break even with budget because, although licences will increase by RPI, the apps are also being rationalised for offsetting efficiency savings.
- 4.2.4 Street Cleansing – Contracted street cleansing costs are expected to increase by 8%.
- 4.2.5 Property & Equipment Maintenance – All operational repairs and maintenance costs are expected to increase by 10%, except for office maintenance costs, which will be offset by lower wear and tear due to lower levels of occupation.
- 4.2.6 Parks Operations – This is expected to overspend due the high increase in fuel costs, currently estimated at 50%.
- 4.2.7 Leisure Management Fee – Users of leisure facilities are still lower than pre pandemic so costs associated are lower.

Income

- 4.2.8 The table below shows the top 80% of 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. These variances are also explained further below.

Table 4 – Top Income Areas

Income Area	Budget £000	% of Inc	Forecast £000	Variance £000	Actuals @ 31 July £000
1. Refuse & Recycling	(2,463)	31.8	(2,666)	(203)	(518)
2. Car Parking	(1,294)	16.7	(1,294)	0	(509)
3. Development Control	(773)	10.0	(773)	0	(341)
4. Blackwater Leisure Centre	(319)	4.1	(159)	160	(0)
5. Properties/Leases	(311)	4.0	(338)	(27)	(156)
6. Revs & Bens Admin Grant	(262)	3.4	(262)	0	(163)
7. Building Control	(199)	2.6	(199)	0	(59)
8. Attractions	(152)	2.0	(152)	0	(8)
9. Homelessness Grant	(143)	1.8	(143)	0	(212)
10. ECC Council Tax Sharing	(142)	1.8	(142)	0	142
Total	(6,059)	78.3	(6,129)	(70)	(1,824)

Variance Analysis

- 4.2.9 Refuse and Recycling income is expected to overachieve its budget by £203k due to the ongoing higher levels of recycling credit payments, although this has been tempered by lower garden waste income due to the long dry summer.
- 4.2.10 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 so the overall impact is forecast to be on budget at this stage.
- 4.2.11 The Blackwater Leisure Centre is managed by Places for Leisure and their forecasts only show them turning a very small profit so far this financial year so only half of the budgeted management fee is expected to be received for the full financial year.
- 4.2.12 There have been a couple of new tenants occupy the council offices this financial year so this will result in higher than budgeted lease income.

5. SALARY MONITORING AS AT 31/07/22

- 5.1 The proposed national pay award would give each of the current 194.7 FTE staff members a flat pay-rise of £1,925 plus oncosts, totalling £506k (5.25%). This is being forecast here, against a budgeted pay rise of £234k (2.5%). There are a number of in-year vacancies, some of which have been filled by temporary staff, but this is currently less than the budgeted 3% vacancy factor. This is causing the £367k salary budget pressure.
- 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 31 July £000
Service Delivery	6,142	6,346	204	1,751
Strategy Performance & Governance	1,749	1,689	(60)	558
Resources	1,986	1,964	(22)	662
Total Employees	9,877	9,999	122	2,971
Members Allowances	234	244	10	72
Total Remuneration	10,111	10,243	132	3,043
Vacancy Factor	(235)	0	235	0
Net Total Employees	9,876	10,243	367	3,043

6. INFLATIONARY IMPACT

- 6.1 The cost-of-living crisis is one of the biggest challenges currently facing households and organisations this financial year and beyond. Inflation reached 8.8% in July and some forecasts say this could double over the coming year. This particularly impacts the Council in fuel, energy and maintenance supplies costs. The knock-on effect is rising, contract costs and salaries.

- 6.2 Forecasts have been reviewed with these budget pressures in mind. The below table sets out the current assumptions that have gone into these forecasts.

Table 6 – Inflationary Assumptions

Cost Type	Inflation	Explanation
Fuel	50%	High increases in oil prices since war in Ukraine commenced.
Gas & Electricity	50%	Lifting of energy price cap, although current Council Offices energy contract protects the Council until March 2023.
Maintenance	10%	Ongoing supply chain pressures.
Waste Contract	8%	Current RPIX which contract prices are tied to.
Salary	5.25%	The percentage impact of £1,925 + oncosts per FTE as per proposed national pay award.

7. IMPACT ON GENERAL FUND BALANCE

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

Table 7 – Total Budget Variance

	Variance £000
Net Service Expenditure	286
Plus Investment Income Variance	(39)
Total Budget Variance	247

- 7.2 Collection rates from local taxation finished higher at the end of 2021 / 22 than budgeted for in 2022 / 23, and have almost recovered to pre pandemic levels. Despite various reliefs being distributed, the cost of living crisis is still expected to put pressure on these rates as the year progresses. Current Council Tax and Business Rates collection rates are performing better than last financial year, so prudently using last year's rates the Council can still expect to overachieve local taxation budget this year, as follows:

Table 8 – Local Taxation Collection Rate and Impact

	Budget £000	Actual 21/22 £000	Impact £000
Council Tax	97.3%	97.6%	15
Business Rates	93.3%	97.6%	124
Total			139

- 7.3 Investment income is also performing better than predicted before this financial year due to increasing interest rates. Shares and bonds are also performing above budget expectations, although property dividends look to be cooling.

Table 9 – Predicted General Fund Balance

	£000
Opening General Fund Balance	5,796
Less 2022/23 MTFS Funding Gap	(452)
Less Supplementary Estimates	(229)
Less Net Cost of Services Variance	(247)
Plus Impact of Collection Rates	139

Closing General Fund Balance	5,007
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- 7.4 In total an amount of £789k is estimated to be required from the general fund balance. This is £337k more than budgeted for in February mainly due to supplementary estimates approved (£229k) and the expected pay award (£272k over budget).
- 7.5 This table 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.

8. CONCLUSION

- 8.1 Although we have emerged from the Coronavirus pandemic, the ensuing cost of living crisis characterised by high inflation (driven by supply shortages in food, fuel and energy sources), and resulting rising interest rates means a significant percentage of residents may be facing financial difficulty and more so as the winter approaches. This could create pressure on local tax collection rates. National pay awards are yet to be agreed but salary inflation will also place a pressure on the Council's budgets.
- 8.2 Ongoing responsible Budget Control is required to manage this situation. This continues to require the conscientious pursuit of income and spending discipline to mitigate these pressures.
- 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 31 July 2022 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 the corporate strategic theme of '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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