



REPORT of DIRECTOR OF RESOURCES

to
STRATEGY AND RESOURCES COMMITTEE
10 NOVEMBER 2022

BUDGETARY CONTROL (AS AT 30 SEPTEMBER 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 30 September 2022.

2. RECOMMENDATION

That the Committee notes the forecasted 2022 / 23 financial position as at 30 September 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 £443k. Employee costs account for £342k of the overspend, non-employee costs make up £86k of it, however, there is also an income overachievement forecast of £47k. The details of these variances are explained throughout this report.

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	342
Non-Employee Costs	8,718	9,095	47.9	66
Gross Expenditure	18,396	18,972	100.0	408
Income	(7,738)	(7,738)		(27)
Net Service Expenditure	10,658	11,234		381

- 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

4.3 Expenditure

- 4.3.1 The next table shows the top 80% 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 @ 30 Sept £000
1. Refuse and Recycling	3,996	43.9%	4,041	45	1,291
2. IT Software and Hardware	538	5.9%	538	0	251
3. Street Cleansing	550	6.0%	574	25	240
4. Property and Equipment Maintenance	454	5.0%	470	16	210
5. Planning Policy and Local Development Plan (LDP)	437	4.8%	437	0	188
6. Parks Operations	299	3.3%	333	34	150
7. Business Rates	264	2.9%	264	0	256
8. Professional Services (incl. Audit)	282	3.1%	282	0	(20)
9. Homeless Accommodation	186	2.0%	186	0	43
10. Insurance	132	1.5%	132	0	11
11. Leisure Management Fee	115	1.3%	51	(64)	12
Total	7,253	79.7	7,308	55*	2,632

*This figure is the total of significant non-salary variances only.

4.4 Variance Analysis

- 4.4.1 1: Refuse and Recycling – A number of changes have taken place with waste management so far this financial year;

- (i) plastic recycling sacks increased in cost due to increase in oil prices and a supplier pulling out;

- (ii) garden waste costs increased due to an increase in gate fees after a change in legislation,
- (iii) food and garden waste costs also reduced due to volumes falling during the long hot summer, but inflation is higher than estimated a year ago, causing an overall budget overspend.

4.4.2 2: IT Software and Hardware – These costs should break even with budget because, although licences will increase by Retail Price Index (RPI), the apps are also being rationalised for offsetting efficiency savings.

4.4.3 3: Street Cleansing – Contracted street cleansing costs have increased by 8% as they are tied to January’s inflation figure each year.

4.4.4 4: Property and 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.

4.4.5 6: Parks Operations – This is expected to overspend due the high increase in fuel costs, currently estimated at 50%.

4.4.6 11: Leisure Management Fee – Users of leisure facilities are still lower than pre pandemic so costs associated are lower.

4.5 Income

4.5.1 The table below shows the top 81% 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 Income	Forecast £000	Variance £000	Actuals @ 30 Sept £000
1. Refuse and Recycling	(2,463)	31.8	(2,649)	(186)	(1,041)
2. Car Parking	(1,292)	16.7	(1,350)	(58)	(792)
3. Development Control	(773)	10.0	(773)	0	(484)
4. Blackwater Leisure Centre	(319)	4.1	(159)	160	(0)
5. Properties / Leases	(396)	4.0	(396)	0	(246)
6. Revs & Bens Admin Grant	(262)	3.4	(262)	0	(148)
7. Building Control	(199)	2.6	(199)	0	(91)
8. Attractions	(251)	3.2	(211)	40	(48)
9. Homelessness Grant	(143)	1.8	(146)	(3)	(212)
10. Essex County Council (ECC) Council Tax Sharing	(142)	1.8	(142)	0	(5)
Total	(6,270)	80.6	(6,317)	(47)*	(3,102)

*This figure is the total of significant income variances only.

4.6 Variance Analysis

- 4.6.1 Refuse and Recycling income is expected to overachieve its budget by £186k 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.
- 4.6.2 Income from car parking in the town centres has not recovered to the levels seen before the pandemic, however the Promenade Park car park has recovered very well so the overall impact is forecast to exceed budget at this stage.
- 4.6.3 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.
- 4.6.4 Attractions are slowly recovering in attendance since the pandemic ended. Maldon Splash Park was very well attended, due to the hot summer. However, it only opened in July so didn't achieve its full budgeted income.

5. SALARY MONITORING AS AT 30/09/22

- 5.1 The proposed national pay award would give each of the current 194.7 FTE (Full Time Equivalent) 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 £342k 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 30 Sept £000
Service Delivery	6,142	6,367	225	2,793
Strategy Performance and Governance	1,749	1,679	(70)	933
Resources	1,986	1,942	(44)	998
Total Employees	9,877	9,988	111	4,724
Members Allowances	234	230	(4)	110
Total Remuneration	10,111	10,218	107	4,614
Vacancy Factor	(235)	0	235	0
Net Total Employees	9,876	10,218	342	4,614

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 (RPI) reached 12.3% in August and some forecasts say this may not come down 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 (RPI excluding mortgage interest payments) 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 Pressure	381
Less Investment Income Variance	(104)
Total Budget Pressure	277

- 7.2 Investment income is 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.
- 7.3 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

- 7.4 The variances explained above have the following effect on the General Fund balance as at 31 March 2023:

Table 9 – Predicted General Fund Balance

	£000
Opening General Fund Balance	5,796
Less 2022 / 23 Medium-Term Financial Strategy (MTFS) Funding Gap	(452)
Less Supplementary Estimates	(229)
Less Net Cost of Services and Investments Variance	(277)
Plus Impact of Collection Rates	139
Closing General Fund Balance	4,977

- 7.5 In total an amount of £819k is estimated to be required from the General Fund balance, which is £367k more than budgeted for in February.
- 7.6 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 30 September 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 2022.

9. IMPACT ON STRATEGIC THEMES

- 9.1 This report links to the corporate goal 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.
- (vii) **Impact on Strengthening Communities** - ??

Background Papers: None.

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