



**REPORT of  
INTERIM CHIEF FINANCE OFFICER**

**to  
STRATEGY AND RESOURCES COMMITTEE  
21 SEPTEMBER 2023**

**BUDGETARY CONTROL (AS AT 30 JUNE 2023)**

**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 2023 to 30 June 2023.

**2. RECOMMENDATION**

That the Committee notes the forecasted 2023 / 24 financial position as at 30 June 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 Table 1 provides an overview of current service forecast budget variances for the Council against 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 underspend of £104k. Employee costs account for a £31k overspend offset by an underspend on non-employee costs, currently forecast to be £135k. However, there is also a current income underachievement forecast of £38k, meaning the Net Service Expenditure is forecast to underspend by **£66k**. The details of these variances are explained throughout this report.

**Table 1 – Gross Service Income and Expenditure**

<b>Spend Type</b>	<b>Original Budget £000</b>	<b>Forecast £000</b>	<b>% of Gross Exp</b>	<b>Forecast Variance £000</b>
Employee Costs	10,607	10,638	52.3	31
Non-Employee Costs	9,670	9,535	47.7	(135)
<b>Gross Expenditure</b>	<b>20,277</b>	<b>20,173</b>	<b>100.0</b>	<b>(104)</b>
Income	(7,708)	(7,670)		38
<b>Net Service Expenditure</b>	<b>12,569</b>	<b>12,503</b>		<b>(66)</b>

4.1.1 The Original Budget is the budget approved by the Council on 22 February 2023, excluding non-controllable budgets (Housing Benefit payments, and capital and pension fund charges).

## 4.2 Expenditure

4.2.1 Table 2 shows the biggest expenditure areas for MDC, along with their respective percentages of total expenditure and forecast variances. An explanation for the variances is given below.

**Table 2 – Biggest Expenditure Areas**

Expenditure (Exp.)	Budget £000	Percentage of Exp.	Forecast £000	Forecast Variance £000	Actuals @ 30 June £000
1. Waste Services	4,430	45.8%	4,231	(199)	745
2. Corporate	628	6.5%	628	-	(184)
3. IT	627	6.5%	627	-	84
4. Street Cleansing	615	6.4%	653	39	104
5. Premises	306	3.2%	306	-	31
6. Planning Policy	251	2.6%	251	-	10
7. Parks Trading unit	210	2.2%	210	-	32
8. Homeless and Housing Advice	208	2.2%	208	-	(37)
9. Maldon Town Centre Car Parks	202	2.1%	219	17	21
10. Maldon Promenade	176	1.8%	176	-	50
11. Development Management	121	1.2%	121	-	13
12. Public Conveniences	120	1.2%	128	8	2
<b>Total</b>	<b>8,033</b>	<b>83.1%</b>	<b>7,898</b>	<b>(135)</b>	<b>864</b>

## 4.3 Variance Analysis

1: Refuse and Recycling - Driver salaries (£65k) and plastic recycling sacks (£39k) have continued to increase in cost due to persistently high inflation; however, this has been more than offset by underspends on Household Waste (£254k) due to reduced demand since pandemic ended (now one less truck), and Recyclate (£49k) due to tonnage being lower than last year.

2: Corporate – No variance expected at this time against corporately controlled budgets for items such as internal and external audit fees.

3: IT Software and Hardware – No variance expected at this time.

4: Street Cleansing – The Contract budget is expected to overspend due to higher inflation than estimated (£35k) and an additional pressure expected in relation to fly-tipping costs (£4k).

5: Premises – The Council was protected from the inflationary impact of utility costs last year as the prices were fixed until 1 April 2023. The 2023 / 24 budget was increased by inflation, but the actual cost impact of fuel price increases will not be fully known until the winter and is therefore currently shown as online to budget, although a risk remains of a further pressure. There also remains a risk of unexpected repairs creating budgetary pressures.

6: Planning Policy – No variance expected at this time.

7: Parks Trading unit – No variance expected at this time.

8: Homeless & Housing Advice – Forecast to be on budget but there remains a risk of winter pressures.

9: Maldon Town Centre Car Parks – Card processing fees are high due to more and more people paying by card (£17k).

10: Maldon Promenade – This budget mainly covers the maintenance and utility costs for running the Prom, especially the Splash Park. The majority of these costs are incurred over the spring and summer, and currently look to be within budget.

11: Development Management – No variance expected at this time.

12: Public Conveniences – The largest part of this budget is for cleaning and also maintenance. Cleaning costs have risen so is expected to slightly overspend (£8k).

#### 4.4 Income

4.4.1 Table 3 below shows the biggest income areas for MDC, along with their respective percentages of total income and forecast variances. These variances are also explained further below.

**Table 3 – Biggest Income Areas**

Income Area	Budget £000	Percentage of Income	Forecast £000	Variance £000	Actuals @ 30 June £000
1. Waste Services	(2,534)	32.9%	(2,578)	(44)	(853)
2. Maldon Town Centre Car Parks	(995)	12.9%	(852)	144	(218)
3. Maldon Promenade	(852)	11.1%	(887)	(35)	(156)
4. Development Management	(773)	10.0%	(773)	0	(283)
5. Premises	(384)	5.0%	(416)	(32)	(15)
6. Homeless and Housing Advice	(277)	3.6%	(277)	0	(518)
7. Building Control (Fee Related)	(223)	2.9%	(160)	64	(32)
8. Rivers	(185)	2.4%	(185)	0	(52)
9. Cemeteries	(130)	1.7%	(103)	27	(31)

Income Area	Budget £000	Percentage of Income	Forecast £000	Variance £000	Actuals @ 30 June £000
10. Land Charges	(124)	1.6%	(124)	0	(22)
11. Springfield Industrial Estate	(115)	1.5%	(115)	0	(38)
<b>Total</b>	<b>(6,774)</b>	<b>87.9%</b>	<b>(6,736)</b>	<b>38</b>	<b>(2,228)</b>

#### 4.5 Variance Analysis

1. Waste - Refuse and Recycling income is expected to overachieve because Garden Waste Subscription numbers are higher than anticipated (£62k), reduced by Essex County Council's contributions being less than anticipated (£18k).
2. Maldon Town Centre Car Parks – As in 2022 / 23, this income is mainly underachieving on Ignite stretch Town Car Parking budget target of £139k. Covid Grants in 2020 / 21 and 2021 / 22 masked this shortfall. Besides this the car parking income is underachieving budget by £5k.
3. Maldon Promenade – Car Parking volumes are currently high and expected to overachieve (£35k), offsetting part of the underachievement on Town Centre Car Parking.
4. Development Management – Planning Development Fees, Pre-Applications and Performance Agreements are all coming in as estimated so far this year and are expected to continue this way.
5. Premises – The Council Office's income is expected to overachieve budget due to two new National Health Service (NHS) tenants scheduled to move in in the Autumn (£32k).
6. Homeless and Housing Advice – No variance expected against the grant income.
7. Building Control (Fee Related) - Inspections Fee income was lower than budgeted last year and along with Building Notices Fees (£18k) is also expected to underachieve this financial year (£45k).
8. Rivers – No variance on Lease and Moorings income is expected.
9. Cemeteries – Burial Fees income is underachieving (£27k) although it is hoped this will be offset by Transfer of Exclusive Rights of Burial income as it was last financial year.
10. Land Charges – These Fees and Charges are expected to be on budget this year.
11. Springfield Industrial Estate - Annual Rents and Leases are coming in as expected.

## 5. SALARY MONITORING AS AT 30/06/23

- 5.1 The budgeted pay rise is £1,925 per Full Time Equivalent plus oncosts up to scale point 42, then 3.88% above SCP42 and for members allowances. The current National Joint Council payrise offer still reflects this, so no variances are forecast as yet. A vacancy factor of £235k is budgeted for which is forecast to be met through vacancies throughout the year.
- 5.2 Table 4 below gives an analysis of MDC's salary variances by directorate.

**Table 4 – Employee Variances**

Directorate	Budget £000	Forecast £000	Variance £000	Actuals to 30 June £000
Service Delivery	6,320	6,320	0	1,353
Strategy and Resources	4,302	4,318	16	1,156
<b>Total Employee Costs</b>	<b>10,622</b>	<b>10,638</b>	<b>16</b>	<b>2,509</b>
Members Allowances	253	253	0	53
<b>Total Costs</b>	<b>10,875</b>	<b>10,891</b>	<b>16</b>	<b>2,562</b>
Less Vacancy Factor	(235)	0	235	0
Less National Insurance adjustment	220	0	(220)	0
<b>Net Total Employee Costs</b>	<b>10,860</b>	<b>10,891</b>	<b>31</b>	<b>2,562</b>

## 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. Although Consumer Price Index (CPI) has reduced slightly in July to 6.8% inflation remains stubbornly high with some forecasters saying this will only reduce gradually over the coming year. Fuel is slowly reducing in cost, however the Council is still feeling the inflationary impact on salaries, contracts and other supply costs. 2023 / 24 budgets were set based on higher inflation rates but there still remain a risk that costs could escalate further.

## 7. IMPACT ON GENERAL FUND BALANCE

- 7.1 Table 5 sets out the Council's total anticipated overspend, less mitigating Covid-19 grants from Central Government.

**Table 5 – Total Budget Variance**

	Variance £000
<b>Net Service Expenditure Underspend</b>	<b>(66)</b>
Plus Investment Income Variance	(250)
<b>Total Budget Underspend</b>	<b>(316)</b>

- 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 have cooled.
- 7.3 Collection rates from local taxation finished higher at the end of 2022 / 23 than budgeted for in 2023 / 24 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 slightly better than last financial year, so prudently using last year's final collection rates the Council can still expect to overachieve local taxation budget this year, as follows:

**Table 6 – Local Taxation Collection Rate and Impact**

	<b>Budget 23/24</b>	<b>Forecast 23/24</b>
Council Tax	97.3%	98.0%
Business Rates	95.5%	98.5%

- 7.3.1 This further supports the agreed drawdown funds from the Collection Fund Equalisation Reserve towards the current year's budget gap.
- 7.4 The variances explained above have the following effect on the General Fund balance as at 31 March 2024:

**Table 7 – Predicted General Fund Balance**

	<b>£000</b>
<b>Opening General Fund Balance</b>	<b>5,081</b>
Less 2023 / 24 Medium-Term Financial Strategy (MTFS) Funding Gap	(421)
Less Supplementary Estimates	0
Plus Net Cost of Services and Investments Variance	316
Drawdown from Business Rates equalisation reserve	421
<b>Closing General Fund Balance</b>	<b>5,397</b>

- 7.5 In total an amount of £316k is estimated to be added to the General Fund balance, which is a £737k improvement on what was 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 The 2023 / 24 Budget provided for a higher impact of inflation however budgets remain under pressure. Although they have improved since the pandemic, the enduring cost-of-living crisis could yet create pressure on local tax collection rates. National pay awards are yet to be agreed but salary inflation could also place a pressure on the Council's budgets if higher than estimated.

- 8.2 Ongoing responsible budgetary 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 The information within this report is that which is recorded in the Council's financial management system up to 30 June 2023.

## **9. IMPACT ON PRIORITIES AS SET OUT IN THE CORPORATE PLAN 2023 - 2027**

### **9.1 Supporting our communities**

9.1.1 None identified.

### **9.2 Enhancing and connecting our place**

9.2.1 None identified.

### **9.3 Helping the economy to thrive**

9.3.1 None identified.

### **9.4 Smarter finances**

9.4.1 The Council's priority is to ensure it remains financially sustainable over the medium term. The Budget Monitoring process ensures the Council's resources are being spent as planned and to put in place mitigations if they vary from the budget.

### **9.5 A greener future**

9.5.1 None identified.

### **9.6 Provide good quality services.**

None identified.

## **10. IMPLICATIONS**

- (i) **Impact on Customers** – None directly.
- (ii) **Impact on Equalities** – None identified.
- (iii) **Impact on Risk** – None identified.
- (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 identified.

Background Papers: None.

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