



**REPORT of  
INTERIM CHIEF FINANCE OFFICER**

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**to  
STRATEGY AND RESOURCES COMMITTEE  
14 MARCH 2024**

**BUDGETARY CONTROL AS AT 31 DECEMBER 2023**

**1. PURPOSE OF THE REPORT**

- 1.1 To provide the Strategy and Resources Committee with information in relation to financial performance over the period 1 April 2023 to 31 December 2023.

**2. RECOMMENDATIONS**

- (i) That the forecasted 2023 / 24 revenue financial position as at 31 December as detailed in this report be reviewed;
- (ii) that the forecasted 2023 / 24 capital financial position as at 31 December as summarised at **APPENDIX 1** be reviewed;
- (iii) To approve a drawdown of £98k from the Transformation Reserve for a two year extension of a fixed-term IT specialist role as set out at paragraph 5.2.

**3. SUMMARY OF KEY ISSUES**

- 3.1 This report sets out the financial position of the key areas of the Council's activities for the first nine months of the financial year 2023 / 24.

**4. REVENUE BUDGETS**

- 4.1 **Table 1** provides an overview of current service forecast budget variances for the Council against budget. Employee costs account for just over half of Maldon District Council's (MDC's) gross expenditure. There is a forecast overspend on employee costs of **£117k** and on non-employee costs of **£291k**, offset by a forecast income overachievement forecast of **£695k**, resulting in an overall Net Service Expenditure forecast underspend overall of **£288k**. The details of these variances are explained throughout this report.

**Table 1 – Net Service Expenditure at Quarter 3**

Spend Type	Original Budget £000	Revised Budget £000	Budget as a Percentage of Gross Expenditure	Forecast Actuals £000	Forecast Variance £000
Employee Costs	10,607	11,157	52	11,274	117
Non-Employee Costs	9,670	10,229	48	10,519	291
<b>Gross Expenditure</b>	<b>20,277</b>	<b>21,386</b>	<b>100</b>	<b>21,793</b>	<b>407</b>
Income	(7,708)	(7,700)		(8,395)	(695)
<b>Net Service Expenditure</b>	<b>12,569</b>	<b>13,686</b>		<b>13,398</b>	<b>(288)</b>

- 4.2 The Original Budget is the budget approved by Council on 22 February 2023, 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. **Table 2** shows this reconciliation:

**Table 2 –Reconciliation of Original to Revised Budget**

Description	Amount £000
Original budget	12,569
Budget for revenue commitments brought forward from 2022 / 23	977
Drawdowns from Reserves during 2023 / 24	140
<b>Revised budget</b>	<b>13,686</b>

#### 4.3 Expenditure

- 4.3.1 **Table 3** shows the top 83% of non-employee expenditure areas for the Council, along with their respective percentages of total expenditure and forecast variances. An explanation for the variances is given below.

**Table 3 – Top Non- Employee Expenditure Areas**

Expenditure	Budget £000	Percentage of Expenditure	Actuals @ 31 Dec £000	Full Year Forecast £000	Forecast Variance £000
1. Refuse and Recycling	4,431	43.3%	2,526	4,211	(220)
2. Corporate	728	7.1%	(76)	556	(172)
3. Street Cleansing	615	6.0%	430	653	39
4. IT Software and Hardware	600	5.9%	343	580	(20)
5. Premises	332	3.2%	268	322	(11)
6. Revenues and Benefits	260	2.5%	149	271	11
7. Planning Policy	255	2.5%	26	269	14
8. Other Parks and Open Spaces	214	2.1%	28	214	0
9. Homeless and Housing Advice	208	2.0%	213	775	567

<b>Expenditure</b>	<b>Budget £000</b>	<b>Percentage of Expenditure</b>	<b>Actuals @ 31 Dec £000</b>	<b>Full Year Forecast £000</b>	<b>Forecast Variance £000</b>
10. Parks Trading unit	237	2.3%	126	237	0
11. Maldon Town Centre Car Parks	202	2.0%	177	208	6
12. Maldon Promenade	199	1.9%	193	199	0
13. Service Delivery Management	191	1.9%	16	191	0
14. Food Safety / Commercial Disease	27	0.3%	32	77	50
15. Development Control	19	0.2%	27	39	20
<b>Total</b>	<b>8,519</b>	<b>83.3%</b>	<b>4,477</b>	<b>8,803</b>	<b>284</b>

#### 4.3.2 Variance Analysis

1. Refuse and Recycling - Refuse and Recycling expenditure is forecast to underspend by £220k in total.
2. Corporate – The corporate contingency of £172k is not expected to be required at this stage.
3. IT Software and Hardware – Removing three modules from Firmstep is resulting in a £20k savings on IT applications.
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 – An underspend on maintenance costs is forecast. 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 so is currently shown as in line with budget, although a risk remains of a further pressure.
6. Revenues and Benefits – The cost of distributing Council Tax and Business Rates bills is expected to be higher than budgeted.
7. Planning Policy – The relates to costs of the A12 Development Control Order; however this will be funded from additional Planning Performance Agreement income, shown in the income table below.
8. Parks Trading unit – No variance expected at this time.
9. Other Parks and Open Spaces - No variance expected at this time.
10. Homeless and Housing Advice – Expenditure is forecast to be over budget due to increased costs of emergency accommodation and community led housing expenditure as well as grant funded expenditure. However, these are covered by the additional Housing Benefit and grants received, shown in the income table (Table 4) below. Grants relate to rough sleeping, domestic abuse and homes for Afghans and Ukrainians.
11. Maldon Town Centre Car Parks – Card processing fees are high due to more and more people paying by card rather than cash (£18k over budget), although rates ended up being £12k lower than expected.

12. 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, with no variance currently forecast.
13. Service Delivery Management – No variance expected at this time.
14. Food Safety / Commercial Disease – The forecast overspend is caused by increased hygiene inspections but will be covered by Covid grant income.
15. Development Control – This budget pressure is for arboriculture consultancy.

#### 4.4 Income

- 4.4.1 **Table 4** below shows the top 90% of income areas for the Council, along with their respective percentages of total income and forecast variances. These variances are explained further below.

**Table 4 – Top Income Areas**

Income Area	Budget £000	Percentage of Income	Actuals @ 31 Dec £000	Full Year Forecast £000	Forecast Variance £000
1. Waste Services	(2,534)	32.9%	(1,889)	(2,628)	(94)
2. Maldon Town Centre Car Parks	(995)	12.9%	(681)	(875)	121
3. Maldon Promenade	(852)	11.1%	(593)	(805)	47
4. Development Management	(773)	10.0%	(803)	(888)	(114)
5. Revs and Bens	(426)	5.5%	(1,124)	(426)	0
6. Premises	(384)	5.0%	(64)	(391)	(7)
7. Homeless and Housing Advice	(277)	3.6%	(700)	(914)	(637)
8. Building Control (Fee Related)	(223)	2.9%	(109)	(178)	45
9. Rivers	(185)	2.4%	(142)	(185)	0
10. Cemeteries	(130)	1.7%	(120)	(145)	(15)
11. Strategy, Performance and Governance (SPG) Management	(59)	0.8%	(27)	(152)	(93)
12. Blackwater Leisure Centre	(58)	0.8%	0	0	58
	<b>(6,897)</b>	<b>89.6%</b>	<b>(6,251)</b>	<b>(7,586)</b>	<b>(690)</b>

#### 4.4.2 Variance Analysis

16. Waste - Refuse and Recycling income is forecast to over-achieve by £94k in total.
17. 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. After adjusting for this, the underlying position on car parking income is an overachievement against budget of £18k.
18. Maldon Promenade – Splash Park income underachieved by £80k due to a cool wet summer. Car Parking volumes are currently high and expected to overachieve (£35k), offsetting part of the underachievement on Town Centre Car Parking.

19. Development Management – Planning Development Fees are on track to exceed budget by over £100k.
20. Revenues and Benefits - No variances expected.
21. Premises – The Council office lease income is expected to overachieve budget due to new tenancies (£7k). At Q2 we expected an additional £40k for NHS tenancy but this has been delayed.
22. Homeless and Housing Advice – Additional income from Housing Benefit (£168k) and Essex County Council (£46k) is expected to cover most of the emergency accommodation expenditure pressure. Also £423k of grant income has come in to fund additional expenditure, explained above.
23. Building Control (Fee Related) - Inspections fee income is expected to underachieve again this financial year.
24. Rivers – No variance on lease and moorings income is expected.
25. Cemeteries – Burial Fees income is under-achieving (£27k) but is more than offset by 'Exclusive Rights of Burial' income over-achieving (£42k) as it was last financial year.
26. SPG Management – Section 106 funding and Local Development Plan funding is available to cover the cost of two SPG posts.
27. Leisure Services – The latest financial information from Places for Leisure indicates that the contract is unlikely to be a surplus position this financial year.

## 5. SALARY MONITORING AS AT END OF QUARTER THREE

- 5.1 The budgeted pay rise is £1,925 per Full Time Equivalent (FTE) plus oncosts up to scale point 42, then 3.88% above SCP42 and for members allowances. The current National Joint Council (NJC) pay rise offer has now been agreed, with only a minor adjustment required as 3.88% will actually be applied from SCP39. A vacancy factor of £235k is budgeted for which is not forecast to be met through vacancies as agency and temporary cover costs have been high.
- 5.2 It is requested to approve a drawdown of £98k from the Transformation Reserve to fund a two year extension of the fixed-term IT specialist role which is not budgeted for within core employee budgets. This role is pivotal to the development of IDOX Uniform/ Civica which are key systems for the Council and it is anticipated that the work this post carries out will contribute towards longer-term efficiency savings for the Council.
- 5.3 **Table 5** below gives an analysis of the Council's salary variances by directorate.

**Table 5 – Employee Variances**

Directorate	Budget '£000	Actuals to 31-Dec '£000	Full Year Forecast '£000	Forecast Variance '£000
Service Delivery	7,148	5,141	7,171	23
Strategy and Resources	4,024	2,975	4,103	79
<b>Total Employee Costs</b>	<b>11,172</b>	<b>8,116</b>	<b>11,274</b>	<b>102</b>
Members Allowances	253	175	253	0

Directorate	Budget '£000	Actuals to 31-Dec '£000	Full Year Forecast '£000	Forecast Variance '£000
<b>Total Costs</b>	<b>11,425</b>	<b>8,291</b>	<b>11,527</b>	<b>102</b>
Less Vacancy Factor	(235)	0	0	235
Less National Insurance adjustment	220	0	0	(220)
<b>Net Total Employee and Members Costs</b>	<b>11,410</b>	<b>8,291</b>	<b>11,527</b>	<b>117</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. The Consumer Price Index (CPI) measure of inflation reduced slightly in January 2024 to 4.2%, although inflation remains higher than the Bank of England's target of 2%, 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, major 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 6** sets out the Council's total anticipated underspend from Services and Investments.

**Table 6 – Total Budget Variance**

	Variance £000
<b>Net Service Expenditure Underspend</b>	<b>(288)</b>
Plus Investment Income Variance	(500)
<b>Total Budget Underspend</b>	<b>(788)</b>

- 7.2 Investment income is performing better than predicted due to the highest interest rates in 15 years. 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. Current Council Tax and Business Rates collection rates are performing slightly better than last financial year.

**Table 7 – Local Taxation Collection Rate Forecasts**

	Budget 2023 / 24	Forecast 2023 / 24
Council Tax	97.3%	98.0%
Business Rates	95.5%	98.5%

- 7.4 The variances explained above have the following effect on the General Fund balance as at 31 March 2024:

**Table 8 – 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)
Drawdown from Business Rates equalisation reserve	421
Less Supplementary Estimates	0
Plus Net Cost of Services and Investments Variance	788
<b>Closing General Fund Balance</b>	<b>5,869</b>

- 7.5 In total an amount of £788k is estimated to be added to the General Fund balance, which is a £1,209k improvement on what was budgeted for in February 2023.
- 7.6 **Table 8** shows that the general fund balance is expected to remain above the minimum recommended level of £2.6m this financial year. 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. CAPITAL MONITORING**

- 8.1 The Capital Programme for 2023 / 24 was agreed by the Council on 22 February 2023. In addition, slippage on prior year capital projects is now reflected in the latest 2023 / 24 budgets. The planned financing of the capital programme has been updated to reflect known changes. The current status and explanations are at **APPENDIX 1**.
- 8.2 Changes to the capital programme since Quarter Two are highlighted below;
- (i) Changing Places facility to be delivered at Blackwater Leisure Centre through a government grant of £100k. Works expected to be completed in April 2024.

## **9. CONCLUSION**

- 9.1 Service related net expenditure budgets remain on-track to underspend this financial year, with additional income offsetting cost pressures. The 2023 / 24 Budget allowed for higher inflationary costs, however budgets, in particular employee costs, remain under pressure. Investment income is expected to over-perform against budget due to higher interest rates, increasing the Council's overall projected underspend.
- 9.2 Collection rates are out-performing current year expectations; however, the enduring cost-of-living crisis could yet create pressure on council tax and business rates income.

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

### **10.1 Smarter finances**

- 10.1.1 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.

## **11. IMPLICATIONS**

- (i) **Impact on Customers** – None directly.
- (ii) **Impact on Equalities** – None directly.
- (iii) **Impact on Risk (including Fraud implications)** – Any financial risks are referred to within the 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 directly.

Background Papers: None.

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