

**Melton  
Borough  
Council**

# **Narrative Statement**

Helping People. Shaping Places.



**2021/22**

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## **2. Introduction to the 2021/22 Statement of Accounts by Dawn Garton, Director for Corporate Services (Section 151)**

I am pleased to present Melton Borough Council's Statement of Accounts for the financial year ended 31 March 2022. The published accounts are an important element of the overall arrangements for demonstrating the Council's financial stewardship of public money. Whilst by their very nature the accounts are backward-looking they provide the context for the challenging financial position, exacerbated by the pandemic that has, and will continue to have, an impact on the Council's finances, primarily the loss of income in key areas. The year-end financial position for 2021/22 has been particularly challenging due to the ongoing impact of the pandemic on the council's finances. There have been a number of government grants provided to the Council in 2021/22 or still awaited where the associated costs these will be covering straddle both financial years. As the Council has responded to Covid-19 related workstreams, such as administering the business grants scheme, some core business has been deferred resulting in backlogs in some areas. The costs associated with addressing these backlogs in core activities will need to be met in 2022/23.

There remains much uncertainty regarding future funding for local government with the deferral of the Fair Funding Review. We hope that government will recognise the valuable contribution districts make to local communities, economic and housing growth and support us accordingly, particularly given the outstanding response provided by district councils during the pandemic.

The preparation of the 2021/22 accounts in a timely manner enables the Council to finalise its consideration of the financial position for the year and to move on to address the challenges that 2022/23 and later years will bring. Challenges in external audit resources have meant that the finalisation of the 2020/21 accounts was much delayed and as a result of the pandemic there has been a delay in the timescale nationally for the audit and final approval of the audited 2021/22 accounts.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It aims to provide information so that the reader can:

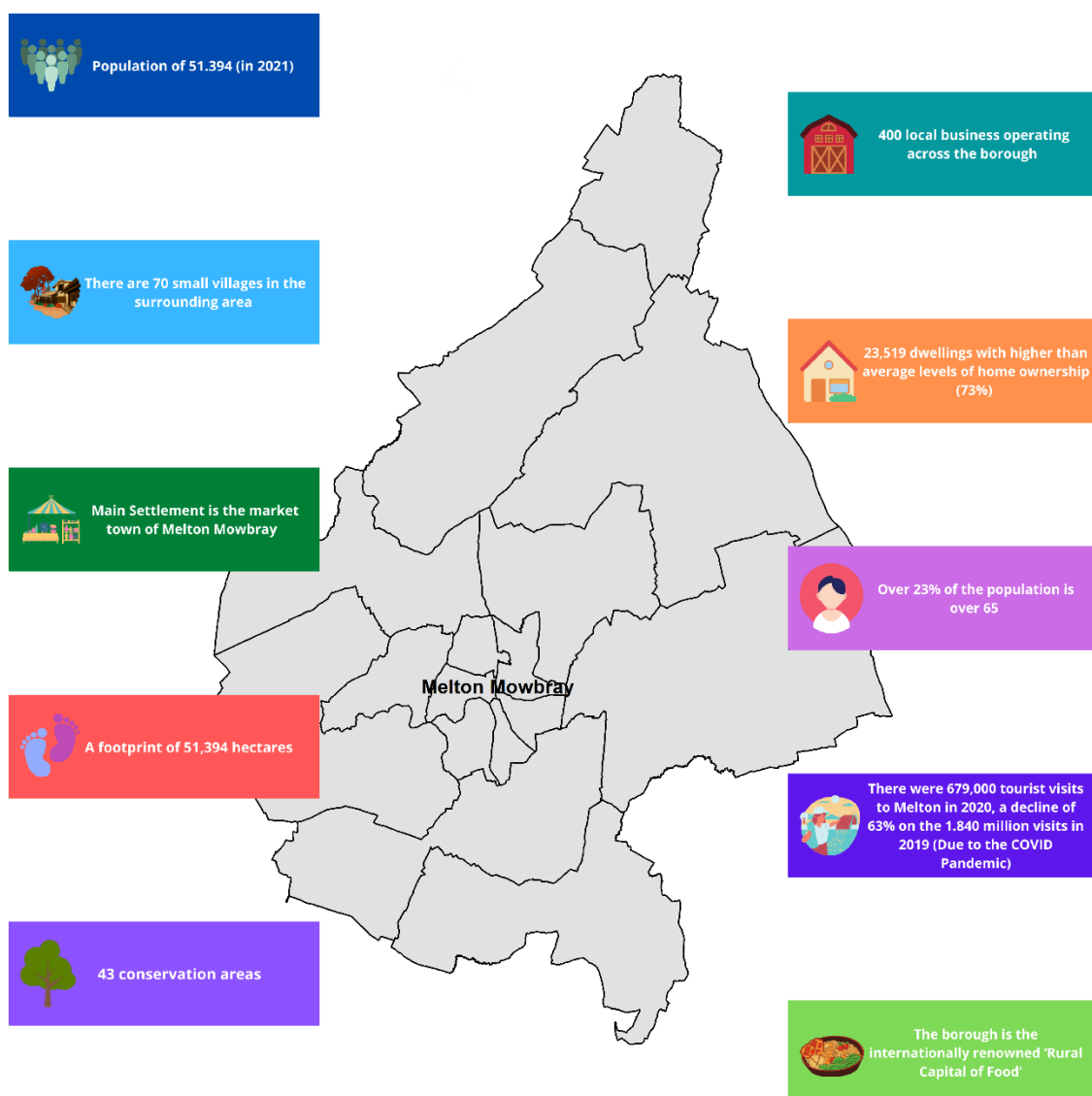
- Understand the overarching financial position of the Council and the outturn for 2021/22;
- Have confidence that public money has been used and accounted for in an appropriate manner; and
- That the financial position of the Council is sound and secure.

The style and format of the accounts complies with the CIPFA standards and is similar to previous years. The narrative report provides information about Melton, including the key issues affecting the accounts. It also provides a summary of the financial position at 31 March 2022. I would like to thank all of my team and other officers who have supported the process and have worked so hard to meet this challenging target. In addition my thanks also go to the team and services who have managed the budgets throughout the year in order to bring actual expenditure in at the year end under budget whilst delivering on service promises.

Dawn Garton CPFA

Director for Corporate Services

### 3. About Melton



On the map above you can see some of the key statistics about the borough of Melton. More detailed and up to date statistics regarding the borough of Melton are set out in our [state of Melton report](#) which is refreshed on an annual basis to capture the key data and statistics which inform the Council’s decision-making.

#### 2.1 About the Council

Melton is a borough council serving the people, communities and businesses of Melton located in northeast Leicestershire.

The Council serves over 51,394 residents over 16 wards with 28 elected councillors.

The Council is one of seven district (or borough) councils in Leicestershire which operate within a two-tier system where responsibilities are divided between the district or borough council and Leicestershire County Council.

The Council is a Conservative-controlled Council.

Councillors set the strategy and policy direction for the Council and Officers work within the direction that has been set. A Leader is elected by the Council on a four yearly basis and is currently led by Councillor Joe Orson, who has appointed a Cabinet to make decisions on key strategic issues. Each Councillor who sits on the Cabinet has a portfolio or responsibility for a particular council function, such as Housing and Communities or Economic Development and Regeneration.

In order, to ensure that the Cabinet can be held to account for the decisions it makes, the Council has appointed a Scrutiny Committee. This is made up of Councillors who are not members of the Cabinet. Their role is to assist the Cabinet with policy development and to scrutinise the decisions that the Cabinet is about to or has already taken.

The Council also has 4 Regulatory Committees which deal with matters regarding Planning, Licensing and Audit and Standards. There is also a Committee for employment matters relating to certain Senior Officers.

More information on the political representation of the Council can be found on the [website](#).

Melton contains [26 local councils \(25 parish councils and 1 parish meeting\)](#). Melton Mowbray is not a parished area.

Alicia Kearns is the Conservative MP for [Rutland and Melton](#), and has been an MP continuously since 12 December 2019.

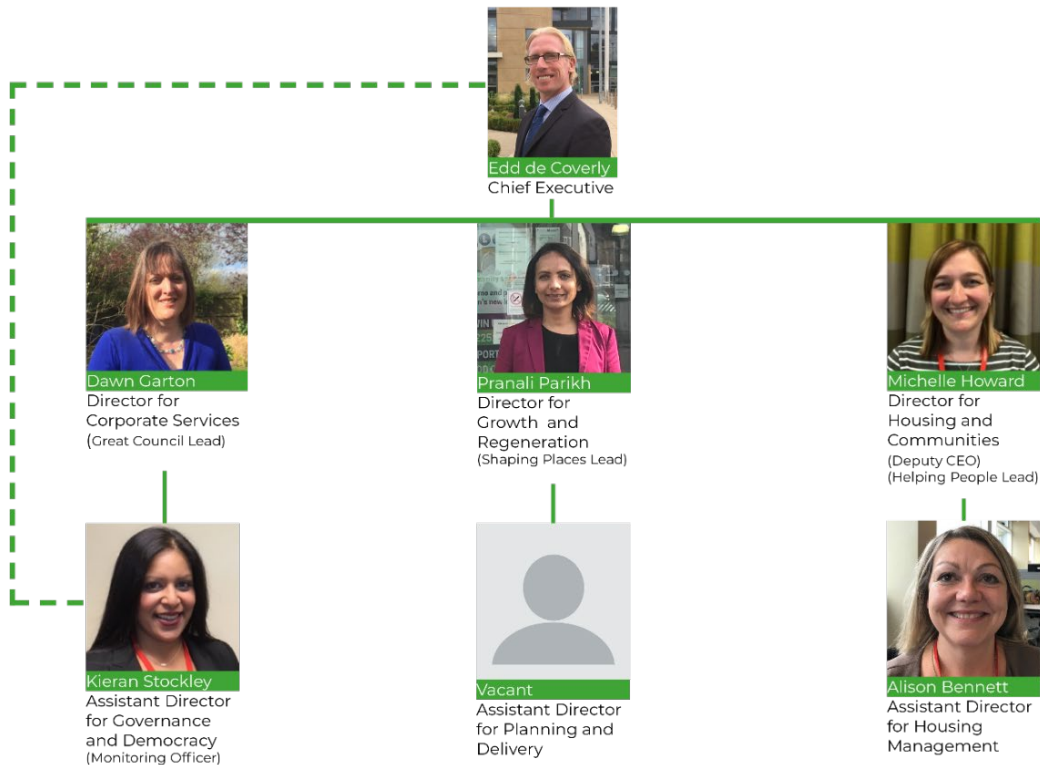
The Council employs approximately 200 full-time and part-time staff.

The Council delivers a full range of services and works in partnership with Leicestershire County Council and many other agencies, including the Health Service, the Police, and the Fire Service.

Some of our key Partnerships which help us to deliver for the residents include:

- Leicester and Leicestershire Local Economic Partnership
- Community Safety Partnership/Safer Melton Partnership
- Leicestershire Waste Partnership
- Melton Business Improvement District (BID)
- Melton Sport and Health Alliance
- Helping People Partnership Board
- Place Board
- Parish Councils
- Community Support Hub
- Leicestershire Rural Partnership
- IT Partnership

## 2.2 How the Council delivers services



**The Council is divided into three directorates namely:**

- Corporate Services
- Growth and Regeneration
- Housing and Communities

### **Corporate Services**

The services delivered by our teams in Corporate Services are set out below:

- Corporate improvement Team
- Communications and Public Relations including Website and Social Media
- Finance
- Human Resources
- Information Technology (ICT)
- Internal Audit
- Procurement through the Welland Procurement Unit
- Corporate Complaints
- Data Protection
- Democratic Services
- Elections and Electoral Register
- Legal Services
- Mayor and Civic Duties
- Post and Reprographics

## **Growth and Regeneration**

The services delivered by our teams in Growth and Regeneration are set out below:

- Corporate Policy & Asset Management
- Economic Development (including Town Centre Management & Funding)
- Enforcement: breaches of licensing & planning control, tenancy, place
- Environmental Health: food safety, pollution; environmental crime, Disabled Facilities Grants via 'Lightbulb,' Stray Dogs contract
- Licensing (Taxis, alcohol sales Late Hours Catering and Entertainment etc)
- Strategic Housing
- Building Control
- Conservation
- Development Control (Planning Applications, Appeals and pre application
- Emergency & Business Continuity Planning
- Planning Control
- Land Charges / Personal searches
- Melton Local Plan and other planning policy

## **Housing and Communities**

The services delivered by our teams in Housing and Communities are set out below:

- Burial & Cemetery
- Benefits
- Council Tax & NNDR
- Community Safety/Family Intervention
- Customer Services
- Environmental/Grounds Maintenance Services
- Housing Benefit & Council Tax
- Housing - /Homelessness/Housing Needs/Repairs & Tenant Liaison
- Leisure & Culture
- Community Support Hub and Case Management
- Neighbourhood Management
- Young People & Seniors
- Waste Management & Recycling
- Housing Asset including housing repairs
- Tenancy Services including the Intensive Housing Management Team (sheltered housing)
- Housing Development



## 2.3 Our Corporate Priorities

The [Council's Corporate Strategy 2020-24](#) sets out our Mission, Vision and Values.



### Our Mission

Helping People, Shaping Places

### Our Vision

We want to be a first-class council: on the side of our communities and providing great services, where the customer comes first. We want to help people reach their potential, support the most vulnerable, and protect our rural environment. We want to provide more and better homes, create better jobs and regenerate the town. We want to ensure Melton prospers, benefitting those who live here and attracting others to visit and invest.

### Our Values

**We Care**  
Valuing others and developing ourselves; committed and passionate about what we do.

**We Innovate**  
Ambitious, creative and resourceful; responding positively to challenges.

**We Achieve**  
Taking responsibility and seeking excellence; always proud to serve.

Our [Corporate Strategy](#) presents a clear focus for the council during this time and is separated into six priority areas:



## Priority Themes

To deliver our vision, these are our six priority themes:

**Helping People**

1. Service excellence in all we do
2. Providing high quality council homes and landlord services

**Shaping Places**

3. Delivering sustainable and inclusive growth in Melton
4. Protect our climate and enhance our rural, natural environment

**Great Council**

5. Ensuring the right conditions to support delivery
6. Connected with and led by our community

## 2.4 Policy Framework

Shown below are the key policies and strategies that shape what we do as a Council and in partnership with stakeholders.

### Regional & Sub-regional

- Leicestershire County Council (LCC) Sustainable Community Strategy Midlands Engine
- Draft Local Industrial Strategies
- Leicester & Leicestershire Economic Development Strategy (2011-2030)
- Leicester & Leicestershire Strategic Growth Plan (2018-2050)
- Melton Helping People Partnership Board
- Melton Place Board

### Our Corporate Strategies

- Corporate Strategy 2020-2024
- Medium Term Financial Strategy 2021-2025
- Treasury Management Strategy
- Capital Strategy
- Way we Work Strategy
- Melton Local Plan
- Commercial Strategy
- Single Equality Scheme

### Our Corporate Priority Strategies

	Helping People <i>including</i>	Shaping Places <i>including</i>	Great Council <i>including</i>
Key Strategies	Melton Community Strategy, (2015-2025)	Economic Development Strategy	Risk Management Strategy
Service Specific	HRA Business Plan Housing Strategy	Asset Management Plan	Service Strategy for Customers
Under Development	Priority Neighbourhood Plan	Growth & Regeneration Plan	Communication & Engagement Strategy
Related Partner Plans	Joint Strategic Needs Assessment	BID Business Plan	

## 2.5 Trade Union Time

<p><b>1. Total number (absolute number and full time equivalent) of staff who are union representatives (including general, learning and health and safety representatives)</b></p>	<p>➤ 2 staff (2.0 FTE) 10 days union activity per year</p>
<p><b>2. Percentage of working hours spent on facility time</b></p>	<p>➤ 0% of working hours: 0 representatives</p> <p>➤ 1 to 50% of working hours: 2 representatives</p> <p>➤ 51 to 99% of working hours: 0 representatives</p> <p>➤ 100% of working hours: 0 representatives</p>
<p><b>3. The names of all trade unions represented in the local authority</b></p>	<p>➤ UNISON, GMB</p>
<p><b>4. Total pay bill and facility time costs</b></p>	
<ul style="list-style-type: none"> <li>• <b>Total pay bill:</b></li> </ul>	<p>➤ £7,226,685.23</p>
<ul style="list-style-type: none"> <li>• <b>Total cost of facility time - A basic estimate of spending on unions (calculated as the number of full time equivalent days spent on union duties multiplied by the average salary), and</b></li> </ul>	<p>➤ £805</p>
<ul style="list-style-type: none"> <li>• <b>Percentage of pay spent on facility time - A basic estimate of spending on unions as a percentage of the total pay bill (calculated as the number of full time equivalent days spent on union activities multiplied by the average salary divided by the total pay bill</b></li> </ul>	<p>➤ 0.04</p>

## 2.6 Equalities

The Council publishes a Single Equality Scheme (SES) which covers all our legal duties as required by The Equality Act 2010. The current scheme was approved by Council in December 2019 and covers the period 2020-2024. An annual report is presented to full Council to update members with our progress against the action plan.

## 3. Key Factors that have influenced the financial position of the Council in 2021/22

The overriding factor the council has faced over the course of 2021/22 has been the response and recovery to the Covid-19 pandemic. The current economic climate continues to prove challenging for the Council in terms of financial management and is currently in a period of great uncertainty due to the ongoing funding review and even more pressing, the legacy impact of Covid and cost of living crisis. The council has been monitoring closely the financial impact of Covid in terms of both additional expenditure being incurred and income shortfalls, liaising with Government to access funding on offer through specific grants and direct support through the expenditure support grants and income guarantee scheme.

The Governments review of local government funding is still ongoing which could see significant changes in how resources are distributed across the country and different classes of authority. This was due to be implemented from 2020/21 but this has now been deferred and still awaiting confirmation of when this will take place along with the planned business rates baseline reset and replacement scheme for New Homes Bonus. This creates great uncertainty for the Council's finances.

An important focus continues to be on how economic growth can be enabled to bring in medium to longer term financial returns through NNDR, and council tax, which will help underpin the financial viability of the Council over the longer term.

### **Reserves, financial performance and financial position**

Throughout the pandemic there has been uncertainty around the Covid-19 response regarding the financial support that would be provided by the government. Indeed, allocation of certain funding such as new burdens funding was very late to be received and some way after the work was accommodated within additional resources.

Despite the pressure the Council rose to the challenge and managed to end the year in a more financially healthy position than when we set the budget. However, in order to achieve this we had to identify £104k of savings from the budget.

The Council's medium term financial strategy approved in February 2022 when the budget for 2022-23 was approved provides forward forecasts for the next 3 financial year. These indicate potential deficits in later years and as a result of inflationary pressures, demand and service changes. There is also considerable uncertainty regarding the future nature and level of government funding for local authorities and the risk of changes to the business rates retention formula which could see significant sums of retained business rates being lost. In recognition of these financial challenges a new initiative titled "Be the Change" has been launched to engage staff in identifying area for savings that can be used to develop a 3 year financial sustainability plan. This is at the initial stages and ideas will be brought forward through the decision making process as they are progressed. However there remains a significant risk regarding future financial sustainability

With the regard to the impact on capital, the Council has a modest programme and the HRA did have large underspends due to delays around access to properties and general issues caused by the pandemic which meant works couldn't start as expected. Funding has been carried forward into 2022/23 and are still expected to be delivered. In November 2019 Council adopted the Housing Improvement Plan (HIP) in order to address resourcing issues, manage health & safety obligations and deliver a step change within the housing and landlord service; ensuring it could effectively manage and maintain its one thousand eight hundred units of housing stock. This was further reinforced in the Corporate Strategy Priority 2, adopted in September 2020; "Providing high quality council homes and landlord services." Significant progress has been made and with the adoption of the business plan which is due to be approved alongside a Affordable Housing Development plan in summer 2022. The Asset Management Plan is due to be brought in for the 2023-24 budget setting which will further reinforce this position.

### **Cash flow management**

The Council has in place an annual cashflow forecast that covers both weekly and monthly incomings and outgoings during the financial year. We have been closely monitoring this over the year to understand any significant impacts. Investments are placed across a number of different products including 30-day notice accounts and money market funds which both provide access to more liquid funds, ensuring a greater balance is available for urgent cashflow requirements which might arise. The Council has maturity laddering in place to ensure an even spread of investments maturing throughout the year to help with cashflow requirements should something unexpected happen. We are assessing each maturity on a case-by-case basis.

The Council does not have any borrowing on the General Fund and the HRA self-financing loan is fixed-rate borrowing so there is no impact on changes to repayment amounts.

All controls and prudential indicators have been maintained in accordance with the Treasury Management Strategy.

Additional investment income returns have been achieved in excess of budgeted amount due to higher balances in year and an upturn up in interest rates in the last quarter of the year. The council's average rate of return was above the benchmark average for the East Midlands group of our treasury advisors which is positive in terms of maximising returns as much as possible.

### **Major risks to the Authority**

The Council's Chief Financial Officer has a duty under the Local Government Act 2003 in setting the budget to comment on the robustness of the estimates and the adequacy of the reserves. This requires that effective budget monitoring procedures are set in place to monitor expenditure and income against the budget and careful consideration is given to determining the level of reserves.

It is still early in the 2022-23 financial year for budget monitoring but due to the likelihood of suppressed incomes in some areas and some known budgetary pressures it will be a challenge to maintain the balance budget that was set by Council in February 2022. We are still awaiting some legacy new burdens funding from Government which will be key to addressing some of the ongoing back log work caused by the pandemic. In addition, early budget monitoring for 2022-23 is showing that there will be pressure on the budget from costs linked to enforcement action, potential pay awards above that already budgeted for (1.75%) as well as increases to the national minimum wage due to high inflation.

Reserves and balances have reduced in previous years however there has been some improvement in this area. Capital resources however in particular have continued to decline although the asset development programme is aimed at addressing this. Due to the complications arising from the significant changes in business rates relief offered by the government the position on business rates retained income continues to be difficult to estimate and remains irregular between years leading to large fluctuations in the business rates equalisation reserve. General revenue reserves however have recently increased with the Corporate Priorities Reserve increasing due to underspends in 2020-21. The Working Balance has increased as result of the underspend in 2021-22 as the Council responds to the LGA review which recommended a revised minimum level of £1m. However, the relatively low level of revenue and capital reserves, remain a concern as highlighted by the latest CIPFA financial resilience index and the LGA review and this will continue to be addressed as finances allow.

There are a number of financial pressures and uncertainties which could affect the estimates particularly in future years and collectively these indicate significant financial pressure on the council's resources. The forward projections have been subjected to sensitivity analysis in light of the potential risks associated with particular items and

assumptions. These do indicate potential wide fluctuations in any year which could see the likely surplus/deficit being substantially different to that expected. This emphasises both the high level and impact of the risks that face the Council's finances in the future. In recognition of the significance of these risks there is a risk contained within the Council's corporate risk register relating to finance as referred to in the risk table below. As a corporate risk an action plan is in place and is actively managed, linked to the development of the budget sustainability programme which is currently being developed.

## **4. The 2021/22 Revenue Budget Process**

The budget has been scrutinised by the Senior Leadership Team and the Scrutiny Committee prior to submission to Cabinet to consider the draft estimates and to provide guidance on a number of areas for both General and Special Expenses.

The budget for 2021/22 has been prepared on the basis of maintaining services at their agreed levels except where the Council has already agreed to a change in which case any change in cost has been incorporated into the base budget. The proposed budget aligned with the draft Corporate Strategy. A balanced budget was proposed in 2021/22 representing a positive response to challenges in previous years and in particular given some non-recurring expenditure being funded from the revenue budget had enabled some headroom for meeting deficits in future financial years.

The growth and savings proposals were also discussed at the scrutiny committee held in January 2021, with the formal budget proposals taking into account member feedback being recommended to Council by Cabinet at their meeting on 9 February 2021. At the meeting of Full Council held on 24 February 2021 the 2021/22 budget was formally approved which after taking into account the proposed savings and growth proposals resulted in a balanced budget for 2021/22.

The HRA rent setting and budget proposals for 2021/22 were presented to Council and approved at the same meeting.

## **5. Council Tax**

As part of the Cabinet recommendations to Council council tax was recommended to be set at a £5 overall council tax increase. General Expenses was set at 4.22%, while Sproxtton, Gaddesby and Frisby Special Expenses were reduced at the level required to balance the budget, Special Expenses Melton Mowbray a reduction of 8.78% in order to bring the overall level to £5.

This was formally approved by the Council at their meeting on 24 February 2021. During this period the other major preceptors of Leicestershire County Council, Police & Crime Commissioner for Leicestershire and Leicestershire Combined Fire Authority also set their precepts and charges along with the Parish Councils.

The comparison of Council Tax levels for 2020/21 and 2021/22 is shown below:

	<b>2020/21</b>	<b>2021/22</b>	<b>Increase</b>
	<b>£</b>	<b>£</b>	<b>%</b>
Melton Borough Council (average for whole area excluding Parish Councils)	207.64	212.64	2.41
Leicestershire County Council	1,343.73	1,410.78	4.99
Police & Crime Commissioner for Leicestershire	233.23	248.23	6.43
Leicestershire Combined Fire Authority	67.96	69.29	1.96
Parish Councils (average for whole area)	67.21	67.45	0.35
Average for whole area (including precepts)	1,888.00	1,976.52	4.69

## 6.1 Council Tax Base

The revision to the 2021/22 Tax base, resulting in an increase of 151 to the number of Band D equivalents (as shown in the table below), produced an increase in Council tax income of £171k when taking into account the council tax increase of 2.41% on an average band D property.

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Number of Band D Equivalent dwellings	18,670	18,937	19,088

## 6.2 Collection Fund

The payments out of the Collection Fund for the in-year Council Tax (excluding prior year surpluses/deficits) from 2019/20 to 2021/22 are set out in the table below and show a year on year increase in funding available for the Precepting Bodies reflecting the increase in Council Tax Base and any general increases on the Council Tax charge.



	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Leicestershire County Council	24,124	25,446	26,930
Police & Crime Commissioner for Leicestershire	4,168	4,417	4,738
Leicestershire Combined Fire Authority	1,244	1,287	1,322

## 6. Medium Term Financial Strategy for 2021/22

All service budgets were subject to scrutiny by both the Senior Leadership Team and considered by the Scrutiny Committee. In accordance with the MTFS no inflation was provided for general prices unless adjusted by budget holders for known increases or contractual commitments. Pay inflation was provided for at 1.75%. A number of principles and assumptions were applied when preparing the budget as follows:

- That the Council sets a £5 overall council tax increase. General Expenses has been at an increase of 4.22%, Sproxtton, Gaddesby and Frisby Special Expenses at the level required to balance the budget, Special Expenses Melton Mowbray a reduction of 8.78% in order to bring the overall level to £5;
- The approved establishment was generally budgeted for in full, except for those specific posts set out in the list of savings, but no provision was made for recruitment costs or savings as a result of any vacancies other than those included in the savings proposals;
- The revenue implications of the capital programme were incorporated into the budget for 2021/22;
- Assumptions were made in respect of a number of service related income streams some of which were significantly affected by Covid, in addition to assumptions over the level of interest from investments. Those services that continue to be particularly affected are retained business rates, building control, development control, car parking, and industrial unit rents. The first quarters fees and charges income for 2021/22 was covered by the extension to the governments income compensation scheme but this did not cover all income streams only those eligible and only covered 75% of 95% of the income lost;
- Estimated retained business rates income was based on the Council's estimated NNDR1 form (Non Domestic Rating Income Calculation and Estimate of Collection fund Surpluses and Deficits). As experience has shown, the actual amount can vary significantly in and between years as a result of levy calculations. In addition business rates liability and collection is heavily impacted by Covid and therefore carried more risk for 2021/22. The settlement provided for government support for a portion of reduced business rates collected. A business rates equalisation reserve is held to smooth out some of these implications between years;

- Estimates of maintenance requirements for Council assets was based on best estimates provided by the property team, with an increase factored in for 2021/22 based on actual costs in previous years.
- Assumptions have been made regarding grant income and charges for services provided by other partners, where certainty surrounding these costs and income, were not provided when the budget was set;
- A contingency was included in the budget based on the tranche 5 funding provided in the settlement to cover any expenditure or income loss over that already provided for;
- A portion of the forecast general expenses underspend in 2020/21 was budgeted to be carried forward into 2021/22.

As part of the budget report to Council the financial projections for future financial years were presented as part of the MTFS. These were based on the estimated likely position for these future years. In drawing up this projection a number of assumptions were made regarding service expenditure and income following discussions with budget holders, and scrutiny by both the Senior Leadership Team and members. Some of the key assumptions that were made in preparing these forward projections are as follows:

- That an overall increase in council tax of £5 will be set in later years;
- The expected position is based on the current level of service provision with assumptions incorporated regarding general inflation changes to prices and pay, pension costs and income streams and estimated changes in demand. No allowance was made as part of the projections for the delivery of savings or income generation which would require a change to service levels/policy. This is to enable the true surplus/deficit to be identified that will require management intervention in order to address the position;
- Growth projections for residual NHB and council tax growth was based on the housing growth figures provided by the local plans team based on the current grant criteria;
- The full extent of any financial impact arising from Welfare Reform including Universal Credit has not been allowed for due to insufficient information;
- It has also been assumed Rural Services Delivery Grant will continue at its current level with no adjustment made to what may arise from the fair funding review and any potential acknowledgement of rurality as a spending pressure;
- No adjustment has been made post 2021/22 for Covid related expenditure continuing or for any reduction in income as a result of this with these being restored in 2022/23 with the exception of leisure provision where this is estimated to be restored by the end of 2023/24.

## 7. Projected Level of Balances

A Statement of Revenue and Capital Reserves was prepared based on the following assumptions:

- The capital programme and the movement in the reserves and balances is as reflected in the budget;
- Transfers are made from and to the business rates equalisation reserve in order to mitigate the financial implications between years of the levy payments and collection fund surplus/deficits. This follows the establishment of a reserve at the end of 2014/15.

With regard to the revenue reserves the council has three main categories. These are either 'earmarked'; for a specific purpose, 'general'; where the use is flexible and 'working balances'; which are in effect a contingency for unforeseen but risk assessed events. A brief description of the purpose and future intention with regard to each reserve and provision held by the Council.

In relation to the non-earmarked, general reserves, they are available to support a range of projects which may be required for the Council to deliver, as well as being available to support capital expenditure should that be necessary due to a low level of capital receipts being held. The reserves have in recent years been utilised to support non recurring expenditure in support of structural changes; though the Corporate Priorities Reserve level has stabilised. If the council's financial position should worsen and further savings in net expenditure are required which have a lead time to achieve it will be necessary to draw on these again until alternative savings or income are identified and delivered. In 2021/22 the budget followed the principle set of balancing the budget without utilising these reserves to protect the Council's future financial sustainability.

CIPFA (the Chartered Institute of Public Sector Finance and Accountancy) have issued a Financial Resilience index for all councils which is available publicly. This is in response to concerns regarding the viability of councils. It is suggested that Chief Finance Officers should comment on the results as part of their statement on the adequacy of the reserves as part of their budget reports. COVID-19 has had an impact on the 2022 resilience index, and CIPFA state it should therefore be viewed in the context of this having been a transitional year. The index continues to illustrate the financial resilience of authorities during the pandemic but figures on reserves have been affected by a series of coronavirus-related payments at the very end of the financial year. The key messages for Melton are as follows:

- Compared to other district councils, and particularly similar district councils classed as being our "nearest neighbours" in terms of comparability, Melton has improved its financial sustainability measure and is shown as being of a lower risk than previously years due to an improvement in the level of reserves held and the ratio of these in comparison to the Council's net budget. Some of this improvement was due to the Council's approach to address the previous reduction in reserves by reducing reliance on them, but also the increase in reserves due to the temporary increase as a result of covid payments made at the end of 2020/21 this was

highlighted by CIPFA and affected most authorities. It is likely that this has a disproportionate impact on this Council due to the relatively low level of reserves compared to other council's in the comparator group.

- Melton was previously shown as being at a lower risk compared to similar authorities and other districts as a result of generating a high proportion of income from fees and charges and low level of interest payable compared to net expenditure. high levels of interest received compared to interest payable. Melton's position compared to other councils in this group has worsened and is now at a higher risk. This is due to income from fees and charges reducing significantly in 2020/21, due to covid, by a greater proportion to net revenue expenditure than other comparable councils. In addition, the additional grants received due to covid and the way these were prescribed to be accounted for has reduced net expenditure thereby increasing the proportion of interest paid in comparison. So previously the lower risk presented by less reliance on government grants due to income from independent sources being a high proportion of net revenue expenditure shows the risk this presents when these income streams are reduced. The change in risk resulting from interest payable in proportion to net expenditure is primarily due to the impact of covid and reduces the value of the comparison of this indicator.
- Melton is at a lower risk compared to similar authorities and other districts as a result of having lower business rates growth. The implications being that with this source of funding being at risk of the baseline being reset, above which a portion of growth is retained, Melton has comparatively less to lose than other councils.

In terms of what this means for Melton with regard to its financial strategy it confirms the progress made in reducing the requirement to draw on the reserves is the right one and has reduced the council's risk in comparison to other similar councils. The impact of Covid on year end balances across all councils has reduced the reliance that can be placed on the resilience indicators in this regard. However, the council has certainly made progress and the proposed budget for 2022/23 makes considerable progress in this area. The proposal to increase the working balance from the forecast surplus at the end of 2021/22 as well as no proposals to draw on unearmarked reserves in 2022/23 will put the council's reserves in a much healthier position. This demonstrates the Council is addressing the concerns raised in previous years. The proposals set out in the budget also respond to the need as recommended by the LGA financial resilience review to increase the general fund working balance to circa £1m to provide a higher financial contingency due to the risk posed by the relatively low level of reserves. It does though also need to be recognised that should these reserves deplete further, the ability to support the financial implications of change and transformation from reserves – e.g. costs arising from changes to staffing structure - will be more difficult and such costs will have to be met from within the annual revenue budget. This would therefore require sufficient savings to be made in year or income generated to meet these costs. Should reduced funding from central government result in savings and efficiencies having to be made then there is a high risk that reserves would need to be drawn on to support the associated one off costs of achieving these. As is already recognised the council has limited reserves both allocated and unallocated and therefore investment in capital and revenue projects that reduce net revenue spend though reducing costs or generating income should be the greater priority. Whilst not covered by the resilience index, as set out in the capital strategy, the Council is vulnerable due to it's low level of capital receipts and the

ongoing need to invest in existing assets that have needs identified through stock condition surveys. If assets are not identified for sale that will generate additional receipts that can be invested elsewhere -opportunities for which are limited - then the council will need to identify revenue it can use to fund such capital expenditure directly or to fund the costs of borrowing. The council has an asset development programme which is progressing and this should lead to the realisation of capital receipts which would be available for asset improvements or investment elsewhere for a revenue return.

At the meeting of Full Council on the 24 February 2021 the total reserves as at 31 March 2021 was predicted to be £20.016m and were expected to decrease to £14.341m as at 31 March 2022 as result of financing the capital programme in the main. The Statement of Accounts revises the level of balances at the end of 2021/22 to £15.692m mainly as a result of capital programme spend and previous balances including Covid-19 grant support carried forward and spent in 2021/22.

## **8. Budget Monitoring**

For the purpose of budget monitoring, services are designated as one of three categories which determines the level and frequency of budget monitoring. These are:

- High risk and complex budgets.
- High risk budgets.
- Lower risk budgets.

The categorisation of the various services are reviewed annually in consultation with the Senior Leadership Team and reported to The Council as part of the annual budget report.

During the financial year revenue and capital budget monitoring information is reported to Cabinet. The Senior Leadership Team receives monthly finance reports on the revenue position and they also undertake regular monitoring of the Capital Programme.

In addition, treasury management performance is also reported to Cabinet and then The Council as part of the CIPFA code of best practice on Treasury Management which includes the Annual Strategy, Mid-year Performance Review and Annual Report.

## 9. Capital Strategy and Capital Programme

The Council has a five-year capital programme. The Senior Leadership Team are taking a proactive approach in ensuring a realistic and affordable programme is developed, that meets the Council's priorities and objectives as set out in the various strategies set out in the Corporate Policy Framework.

The Capital Programme report was approved at the Council meeting on 24 February 2021 and provided the framework within which the Council's capital investment plans will be delivered.

It is good financial practice to incorporate the financial effects of capital spending plans into revenue budgets prior to the consideration and approval of the revenue budgets. As such Members of the scrutiny committee reviewed the projects for both General and Special Expenses for the capital programme in 2021/22 prior to the formal cabinet recommendations. These proposals were incorporated into the revenue budget and prudential indicators as part of the Treasury Management Strategy presented to Council.

In total the original capital programme in 2020/21 was £4.901m including £4.146m spend on the HRA. The majority of funding comes from Capital Receipts and third party contributions with respect to the general fund and for the HRA the Major Repairs Reserve and cash backed depreciation. As 2021/22 progressed, the initial plans were revised to incorporate expenditure profiling from the previous year, approvals and scheme updates as information became available.

As part of the updated Prudential Code for Capital Finance in Local Authorities which was published in late December 2017 there is a requirement to produce a Capital Strategy which links into the Treasury Management Strategy. The purpose of the capital strategy is to tell a story that gives a clear and concise view of how a local authority determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It need not duplicate other documents but should include cross references where relevant. It should provide enough detail to ensure that all members understand how the authority is delivering stewardship of the authority's resources, prudence and sustainability and meeting the authority's reporting requirements. The strategy links to the priorities as set out in the Corporate Strategy.

Since the adoption of the Housing Improvement Plan in 2019, the Council has rebuilt tenancy management and housing asset structures and established several new policies. Significant progress was made and we are now able to return to an improved business as usual position. In that context, this report sets out the provisional year end position for the Housing Revenue Account (HRA), subject to external audit approval, for 2021-22 and provides information on the Council's balances and reserves. There is considerable underspend with regard to the capital budget largely due to delays in work while the teams realign and new contracts are procured without the certainty of a finalised business plan. The Asset Management Plan will also be a critical factor going forward to ensure the plan is deliverable.

The key driver of the HRA capital programme is the HRA Business Plan which is due to be approved in early summer 2022 and will cover the 30year period 2022-2052, providing a forward look and strategic framework for the Council's Housing Revenue Account, financial sustainability and plans.

## 10. Revenue Outturn Position 2021/22

### General Expenses

A balanced budget was set for 2021-22 and the table below shows the impact of the provisional year end against the latest approved budget:

	<b>Budget</b>	<b>Provisional Year End Position</b>	<b>Variance to Budget (Underspend) / overspend</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Original Net Budget	2,401	-	-
Approved c/fwds 2020/21	354	-	-
Covid-19 Contingency	162	-	-
<b>Revised Budget</b>	<b>2,917</b>	<b>2,278</b>	<b>(639)</b>
<b>Total funding</b>	<b>(2,350)</b>	<b>(2,079)</b>	<b>271*</b>
<b>Net Surplus (-) / Deficit for year</b>	<b>567</b>	<b>199</b>	<b>(368)</b>
<b>Funded by</b>			
C/fwd Reserve	(390)	<b>(390)</b>	0
Regeneration and Innovation Reserve	(15)	<b>(5)</b>	(11)
Covid-19 Contingency reserve	(162)	<b>(162)</b>	0
Overall net position	0	<b>(357)</b>	<b>(357)</b>
Less c/fwds into 2022/23	0	<b>263</b>	<b>263</b>
<b>Overall Surplus (-) / Deficit for year</b>	<b>0</b>	<b>(94)</b>	<b>(94)</b>

\*the shortfall on funding relates to Business Rate income but this is offset by other accounting entries and reserve movement in the line above within the table.

The original net expenditure budget in respect of General Expenses for 2021-22 prior to council tax and grant funding was set at £2.401m, which was subsequently updated to an approved budget of £2.917m. The increase takes into account the budgets brought forward from the previous financial year (£354k) and Covid-19 carry forward support funding from the 2020-21 underspend (£162k).

Members should note that the original net expenditure budget of £2.401m isn't reflective of a 'normal' financial year which is usually a net budget of circa £4.5m - £5m. The reason for the abnormal year for 2021-22 is due to section 31 grants being received late in 2020-21 for Covid support, which in line with accounting requirements were put into reserves and then brought into the revenue budget in 2021/22 as a significant contribution from reserves thereby reducing the net expenditure budget.

The initial net budget for 2021-22 after funding but before allocated funding from reserves was £567k which after allowing for the movements in reserves and other adjustments maintained a balanced budget for 2021-22 as shown from the overall net position in the table above.

The provisional year end position shows a net position of £199k which is an underspend of £368k when compared to the latest approved budget. After taking into account the previously approved reserve movements to fund expenditure the overall provisional net position for 2021-22 is an underspend of £357k.

After, allowing for the approved carry forward amounts into 2022-23 of £263k the overall surplus for the 2021-22 financial year is £94k. This compares to the forecast of £230k which was reported to Council in February when the budget for 2022/23 was set. As a result of the ongoing pressure on the budgets and the uncertainty regarding the council's future financial position, primarily due to the loss of key income streams and future government funding, the underspend was approved by Council to be added to the working balance. This is in line with that recommended in the LGA financial resilience review. The aim being to increase the working balance to a new target of £1m.

The key reasons for the underspend against the net income and expenditure budget of £368k can be categorised as follow:

- An underspend on those service budgets within budget holders direct control, (excluding the business rates movement which is offset elsewhere - £263k
- Budget reductions identified and applied during the financial year as a response to the ongoing covid pressures - £104k

During the course of the year and as part of the Councils ongoing response to the Covid funding pressures and uncertainty a full review of budgets was undertaken to identify savings to help mitigate the financial impact and ensure the immediate risk to the Council's finances was addressed. This resulted in a number of budget reductions which were ringfenced to help meet funding pressures.

As part of the Council's flexible budget monitoring processes budgets are updated throughout the year to take into account supplementary estimates, virements and



budget reductions creating an approved budget for budget holders to work within. As part of the budget monitoring and review process all budget holders have been requested to provide an explanation of significant variations against their approved budget on individual services. Brief comments summarising the reasons for any budget variations for items which are within the budget holder's control have been included against the relevant service line. Only those in excess of £10k have been commented on. There are some key variances we would draw members attention to which are outlined below.

Also, looking at the level of carry forwards previously approved by the Portfolio Holder for Corporate Finance, Governance and Resources, following the completion of provisional accounts some of the anticipated underspends did not come to fruition and therefore the final amount carry forward is £263,047.

## KEY VARIANCES

### General Fund – Underspends

- **NNDR (Business Rates) Collection (£1,043k)** – Increases in S31 grants for Extended retail and nursery reliefs which were not included in the original NNDR1 budget forecast. In line with the required accounting treatment this creates a significant variance in the cost of services which is then offset by a transfer from the business rate reserve and also a reduction on the actual level of NNDR income which results in a negligible impact overall on the bottom line.
- **Covid-19 (£566k)** - Underspends includes £162k contingency carry forward and additional sales fees and charges income compensation scheme over budget (£73k). The remainder is additional new burdens support / Covid-19 support grants which have all been used to fund covid-19 expenditure in year and support additional expenditure incurred elsewhere across the Council
- **Case Management (£29k)** – Staffing related underspends linked to vacancies has resulted in an underspend (£19k) and utility usage has been down due to Covid (£7k).
- **Finance System (£41k)** - The finance system project straddles multiple financial years. Phase 1 was completed in 2021-22 and phase 2 commenced but will be fully implemented in 2022-23. The budget will be carried forward to support delivery of these elements.
- **Corporate Improvement Team (£53k)** - Corporate Improvement Manager post seconded and vacant period with cover starting later in the year and at a lower band. Resident survey delayed until 2022-23 (£15k) which will be carried forward
- **ICT (£91k)** - Delay in planned activities such as server replacements, hybrid meeting rooms and share point. A carry forward of £83k has been approved so these projects can be completed in 2022-23.
- **Communications (£51k)** - Lower professional fees for external HR and Web support than anticipated. Contribution to apprentice training costs from the national apprenticeship levy.

- **Cattle Market (£53k)** – Increase in anticipated auction sales due to higher throughput volumes and refund due from town estate fee, that was overcharged in 2019-20 and 2020-21.
- **Waste Management (£52k)** – Income exceeded budgeted expectations due to civic amenities sites being closed during lockdown periods and restricted access which meant more bulky waste collections undertaken and a general increase in recycling waste collected.
- **Parkside (£31k)** - Related to lower building costs. However, utility costs are expected to rise significantly during 2022-23 due to global price increases.
- **Environmental Maintenance (£31k)** – Number of vacant posts during the year as well as reduced expenditure on contract works and materials purchased.
- **Interest (£29k)** – additional investment income returns in excess of budgeted amount due to higher balances in year and an upturn up in interest rates in the last quarter of the year.

#### General Fund – Overspends

- **Customer Services (28k)** – Additional staffing costs and Software related costs incurred during the course of the year.
- **Corporate Costs (£28k)** – Increase in External Audit costs due to additional audit requirements as a result of Covid-19 and valuation work. The Redmond review on the future audit provision has identified audit fees need to be increased which will create further budgetary pressures moving forward as new burdens funding allocated unlikely to meet full additional cost.
- **Doubtful debt increase (£222k)** – there has been an increase in the bad debt provision due to a number of factors including:
  - an increase in the bad debt % applied due to impact of CPI, linked to current economic climate
  - change in the debt profile
  - reallocation of housing benefit debt that was being calculated as general debt which is now assumed to be more unlikely to be repaid and thus requires an increase in provision.
- **Elections (£37k)** – 2019 Parliamentary election settlement costs expected to be lower than previously accrued for due to settlement queries (£26k). Also unexpected Melton Dorian and Melton Sysonby bi-elections for which costs cannot be recovered.
- **Car Parks (£234k)** – Income shortfall including season tickets and enforcement. Income cover scheme only provided £123k of funding to cover shortfall for the Q1 period. It is expected the drop in car park usage post Covid-19 is likely to remain at the current levels which is slightly up from the last year and has been adjusted for in the 2022-23 budget.
- **Development Control (£250k)** – Income shortfall on planning fees (£73k), additional staffing to cover vacancies and additional workload (£92k) plus legal appeal costs for planning appeal decisions (£91k).

- **Building Control (£31k)** – Increased one-off costs relating to implementation of the shared service partnership fees as per the Cabinet approval in November 2021. The delegated service was expected to have an initial cost higher than existing budget. However, a medium term view of costs shows this beginning to reverse in year 3 onwards.

## COVID IMPACT

As part of the council's initial response to the pandemic and to help monitor the financial impact a specific Covid-19 service code was set up to support this. This service accounts for all Covid income and expenditure including the income cover grant funding which is offsetting the income shortfalls on services such as car parks and planning fees as outlined above. In terms of Covid-19 expenditure charged directly to this service this covered areas such as financial support to the leisure provider and other costs associated with responding to the pandemic and recovery phases.

The table below provides a summary of the impact on the council's finances in 2021-22 due to covid-19.

<b>Covid-19 Summary</b>	<b>Amount</b>
• Covid-19 Spend/ Impact £101k	£775k
• Net Income losses £327k	
• leisure contract support £347k	
Less income cover scheme and other covid grants	(£463k)
Net Cost	£312k
Ring fenced Covid-19 funding including c/fwd available	(£362k)
Remaining balance used to contribute to underspend	(£50k)

The Covid-19 response in early stages was filled with great uncertainty regarding the financial support that would be provided by the government. Indeed, allocation of certain funding such as new burdens funding was very late to be received and some way after the work was accommodated within additional resources. The Council took a pragmatic approach, ensuring a focus on the needs of communities at all times.

New burdens funding is still awaited for some areas as well as support for the £150 cost of living increase (Council tax energy rebate scheme). The work to develop and deliver this scheme has created a considerable backlog in some service areas which has started to be addressed in 2021-22 and will continue into the next financial year.

The savings (budget reductions) identified have helped contribute to the underspend as part of its proactive budget management approach and puts the council in an improved financial position.

The Council is currently responding to the Government's Homes for Ukraine Scheme, with housing, communities and leadership resources being allocated to enable a positive and proactive response. Allocation of a Government funding tariff is currently being negotiated with County Council colleagues. An initial payment arrangement has been agreed which will enable the Council to boost capacity to respond through an additional resource within its Communities Team. This will also enable the Council to maintain focus on other areas of work that have stalled to enable a focus on the Homes for Ukraine scheme.

There have been a number of budgetary impacts linked to Covid but the main ones in 2021/22 have been;

- Car parking – significant reduction in income
- Planning fees – reduction in income
- Leisure provision – loss of management fee and financial support

Whilst in some of these areas there are signs of improvement with the leisure management fee expecting to return to pre-pandemic levels in 2023-24 and housing development continuing to recover there are still areas of financial concern moving forward. Car park usage appears to have found a new level which is significantly down and will need to be managed in future years within the MTFs and growing concern about the cost of living crisis which may start to appear in key contracts such as leisure and waste.

As we establish post pandemic levels of service usage covid costs are now being charged direct to service budgets. As no budgets have been set on the Covid service code we will be looking to close this down during 2022/23 and not reporting on this directly as it will be incorporated into the general budget monitoring moving forward. Some legacy new burdens funding is still expected and there may be some previous allocations held in reserves which are likely to be spent in year against specific key areas where pressures still exist.

## SPECIAL EXPENSES

A balanced budget was set for 2021-22 and the table below shows the impact of the provisional year end against the latest approved budget for Special Expenses (Melton Mowbray):

	<b>Budget</b>	<b>Provisional Year End Position</b>	<b>Variance to Budget (Underspend) / overspend</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Original Budget	607	-	-
Approved c/fwds 2020/21	17	-	-
<b>Revised Budget</b>	<b>624</b>	<b>608</b>	<b>(16)</b>
Non-service related costs	(103)	(76)	27
<b>Net Expenditure</b>	<b>521</b>	<b>532</b>	<b>11</b>
<b>Total Funding</b>	<b>(474)</b>	<b>(474)</b>	<b>0</b>
<b>Net Surplus (-) / Deficit for year</b>	<b>47</b>	<b>58</b>	<b>11</b>
<b>Funded by</b>			
C/fwd Reserve	(17)	<b>(17)</b>	0
Special Expense Reserve	(30)	<b>(30)</b>	0
Overall net position	0	<b>11</b>	<b>11</b>
plus c/fwds into 2022/23	0	<b>17</b>	<b>17</b>
<b>Overall Surplus (-) / Deficit for year</b>	<b>0</b>	<b>28</b>	<b>28</b>

The net revenue expenditure in respect of Special Expenses (MM) for 2021-22 was originally estimated at £607k, which was subsequently updated to an approved budget of £624k. The increase took into account budgets brought forward from the previous financial year (£17k). After taking into account the use of reserves to fund carry forwards from 2020-21 there is a variance against the approved budget of £11k deficit plus £17k is being carried forward into 2022-23, resulting in an overall £28k deficit in year which will be funded from the Special Expenses Reserve, an increase over the approved budget.

The main reason for the overspend relates to cemeteries due to increased costs and loss of income both from burials and rental income for the cemetery lodge (£30k), partly offset by an underspend on Open Spaces (£13k) due to delays in programmed works as a result of in year vacancies.

Work to finalise remedial works has now concluded and Cemetery Lodge is ready to let. The property is advertised at a rental value of £1,195 per month with a view to letting this as a residential rental property (not HRA).

In terms of the net position on the closed Churchyards of Spoxton, Frisby and Gaddesby, there are some variances due to additional works undertaken in Frisby and reduced spend at Gaddesby. No reserves are held for each churchyard due to the levels involved and any under/over recovery is adjusted for when setting council tax in the following year.

## Housing Revenue Account (HRA)

The provisional year end position shows an actual deficit of income over expenditure of £456,658 at "Total Expenditure" level, being an underspend of £694,512 against the approved budget deficit of £1,151,170 as outlined in the table below:

	2021-22		
	Approved Budget	Estimated Year End Position	Variance
	£	£	£
Expenditure	7,575,100	6,578,593	-996,507
Income	-7,801,490	-7,487,138	314,352
Net Interest Charges	1,107,960	1,109,789	1,829
Revenue Contribution to Capital	269,600	255,414	-14,186
<b>Total Expenditure</b>	<b>1,151,170</b>	<b>456,658</b>	<b>-694,512</b>
Contribution to/from(-) Reserves	-1,151,170	-456,658	694,512
In Year Surplus(-)/Deficit	0	0	0

There are a number of budget variances that make up this underspend and as part of the budget monitoring and review process all budget holders have been requested to provide reasons for significant variations against their latest approved budget on individual service accounts. The main ones to note are:

General Management £4k underspend, whilst we rebuild and strengthen the service some of our vacancies and roles have been challenging to fill and not fully off-set by agency fees. An inability to incur court fees during the pandemic have also contributed to the underspend. Partially offset by higher and longer voids incurring Council Tax and the use of consultants for the Intensive Housing Management Service (IHMS) review and Business Plan formation.

Special Services £158k underspend due to budgeting for full establishment whilst vacancies were being filled for key roles and reduced requirement for food supplies during the pandemic as no lunch clubs held for non-residents until later in the year, as well as the high voids at Gretton Court for the residents lunches. The contract works budget was also underspent and the budgets will be assessed as part of the Asset management plan later this year.

Repairs & Maintenance £845k underspend, as the Council rebuilds and strengthens the service any underspends arising from some vacant posts have not been fully offset by agency costs. Asbestos surveying was below the levels budgeted and a carry forward requested for this budget to complete over 50% of the stock by the end of 2022-23 of £150k. Contract works were also underspent partially off set by the overspend on voids and schedule of rates works above those within the 'price per property' agreement. These budgets will be assessed as part of the asset management plan later this year.

As identified in this and previous Cabinet reports as a risk, the ability to cleanse the repairs commitments from the Northgate Housing System has resulted in works not being completed, as the duplication of commitments and accruals showed insufficient budget availability, effectively stopping works being done. The cleansing of the system is on-going with its importance now truly recognised.

Income shortfall of £314k. £174k due to higher and longer void property rates, especially in our sheltered schemes and the pandemic affecting the meals for non-resident lunch clubs. Voids performance is improving and we have recently been actively reletting properties at Gretton Court to reduce future rent loss. The increase in arrears balances and the prudent increase of the March CPI in the percentages used for the provision for non-payment of arrears has resulted in an overspend of £149k.

The actual contribution to reserves against the budgeted contribution from reserves reflects the underspends noted above and as approved in February 2021 the HRA working balance remains at £750k. This has resulted in a reduced need to draw on the reserves by £694k in line with the underspend. When the £150k carry forward is taken into account this results in a reduced draw on the reserves of £544k

## **Impact of the Current Economic Climate**

The current economic climate continues to prove challenging for the Council in terms of financial management and is currently in a period of great uncertainty due to the ongoing funding review and even more pressing, recovery post Covid and recent impacts which are starting to emerge relating to cost of living increases. The council has been monitoring closely the financial impact of Covid in terms of both additional expenditure being incurred and income shortfalls, accessing funding on offer through specific grants and direct support through the expenditure support grants and income guarantee scheme that finished in 2021-22. Based on the analysis above there are two main areas that continue to be impacted by Covid. One is a change in car park usage which despite removal of lockdowns has found a new baseline which is

significantly lower than pre-covid levels and will therefore has been rebased for the 2022-23 budget and will continue to be closely monitored. The other is on Leisure provision with the reduced management fee and additional financial support required. Whilst the usage levels seem to be improving the impact of rising utility costs is of concern and even with the improved interim contract position being more positive this will still be a challenge to get back to the pre covid budget position.

## **Basis of Preparation and Accounting Policies**

Local authorities in the United Kingdom are required to prepare their Statement of Accounts (accounts) in accordance with 'proper practices', which is based on the Code of Practice of Local Authority Accounting (the Code).

The Council following parameters sent out by External Audit in their Audit Planning Report where a materiality level is set to determine whether the financial statements are free from material error for which they define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Their evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. Previously they have determined that overall materiality for the financial statements for Melton is £574k based on 2% of gross revenue expenditure for prior year. Performance materiality has been set at £431k, which represents 75% of materiality (consistent with the prior year). They will communicate uncorrected audit misstatements greater than £29k to the Audit and Standards Committee.

## **Long Term Borrowing – Public Works Loans Board (PWLB)**

### Investments

During the year investments increased by £3.610m and stood at £24.570m at 31 March 2022.

### Capital Expenditure

Capital expenditure amounted to £2.509m, against a latest approved budget of £8.515m, resulting in an underspend on the programme of £6.606m of which £2.043m will be carried forward into 2022-23.

The major items of capital expenditure in 2021-22 were; Disabled Facilities Grants £0.228m, and various works to Council owned dwellings £1.950m

The programme was funded by the following sources:

	<b>£'000</b>
Capital receipts	986
Major repairs reserve	1,113
Development & Regeneration	37



	<b>£'000</b>
Reserve	
Third party contributions	32
Government Grants	264
Direct revenue financing	18
Use of reserves	59
	<b>2,509</b>

Other than the expenditure on capital projects set out above and income received from capital receipts in the sum of £0.767m the other material change to assets and liabilities follows the revaluation of a number of assets. In the year the revaluation reserve has increased by £6.799m, which is primarily due the annual valuation exercise showing a increase in asset values across the Council.

#### Reserves

Overall revenue reserves and revenue account surpluses decreased by £2.078m and at 31 March 2022 totalled £15,692m. These are analysed below:

	<b>31 March 2021</b>	<b>31 March 2022</b>
	<b>£'000</b>	<b>£'000</b>
Special reserves	14,760	12,647
Other reserves	1,561	1,503
General Expenses working balance	640	734
Special Expenses working balance	59	58
Housing Revenue Account working balance	750	750
	<u>17,770</u>	<u>15,692</u>

#### Pensions Liability

Since 2003-04 Local Authorities have had to account for retirement benefits when they are committed to give them, even if the actual payment will be many years into the future. As a result a total liability of £20.547m has been included in the balance sheet,

thereby increasing the net worth of the Council. This is a decrease on the liability of £27.681m at 31 March 2021. This is principally because financial assumptions at 31 March 2022 are more favourable than they were at 31 March 2021 due to both the Pension and Salary increase rates being lower coupled with Corporate Bond yields being higher.

## 11. Non-Financial Performance of the Council 2021/22

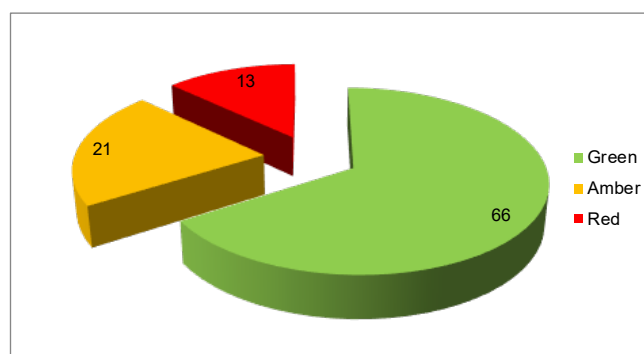
### 11.1 Performance against Corporate Objectives

The overall performance against each of the 6 Corporate Priorities. This is a snapshot relating to the position as at the end of quarter 4 (31<sup>st</sup> March 2022) of the financial year 2021-22.

The overall position shows impressive performance with 66% (35) of 53 measures being on track against target with 35% (18) not hitting target.

#### Corporate Measures set

Live measures	%	
Total	100	53
Green	66	35
Amber	21	11
Red	13	7



During 2021/22 we delivered the following outcomes

- 100% of our housing stock with a current gas safety check.
- We collected 98.21% of our Council Tax payments.

- We collected 98.42% of our National Non-Domestic Rates payments.
- We pay 96.72% of our undisputed invoices within 30 days.
- It took on average 2.73 days from receipt to completion to process an application for land charges.
- Our customer services team dealt with nearly 65,000 customer contacts.
- We had nearly 300,000 visits at Council Leisure Facilities.
- £42,450 was paid out through our Community Grants Scheme to 12 organisations ranging from sports teams to advice services and day care have been supported.
- 367 new homes have been delivered across the borough including 49 affordable homes.
- We received over 1,000 planning applications.
- 96.7% of food businesses that are broadly compliant at inspection.

More information on how we perform as a Council can be found [here](#).

## **What is next for the Council?**

Looking to the year ahead, the Council will continue to deliver high quality services for the residents and place of Melton. Areas of future focus for the Council are set out below which we aim to make progress against:

### **1. Affordable housing**

Ensuring that the borough has the right housing in the right location with the right tenures.

### **2. Living and ageing well/Healthy life expectancy**

Developing a clear strategy and offer that supports residents to be able to feel well and enjoy later life. In doing this they can feel comfortable, safe, and secure at home, living independently for longer with opportunities to learn, join in, volunteer or work.

### **3. Providing an offer for young people**

Providing a clear and appealing offer/strategy for young people to encourage them to remain in or to return to Melton.

### **4. Supporting businesses to grow**

Attracting new businesses to the borough and building stronger relationships with existing ones to support their growth and development.

### **5. Promotion of the area**

Promoting and marketing an appealing, attractive accessible town centre and vibrant rural areas as a destination for visitors and residents.

## 6. Modernising the parking offer

Providing a more flexible approach to parking for residents, visitors and people who work in Melton to encourage them to stay in the borough for longer.

## 7. Climate and Environment

Undertaking consultation with key stakeholders and developing a climate change strategy for the Council.

### How are we performing?

During 2021/22 we delivered the following outcomes

- 100% of our housing stock with a current gas safety check.
- We collected 98.21% of our Council Tax payments.
- We collected 98.42% of our National Non-Domestic Rates payments.
- We pay 96.72% of our undisputed invoices within 30 days.
- It took on average 2.73 days from receipt to completion to process an application for land charges.
- Our customer services team dealt with nearly 65,000 customer contacts.
- We had nearly 300,000 visits at Council Leisure Facilities.
- £42,450 was paid out through our Community Grants Scheme to 12 organisations ranging from sports teams to advice services and day care have been supported.
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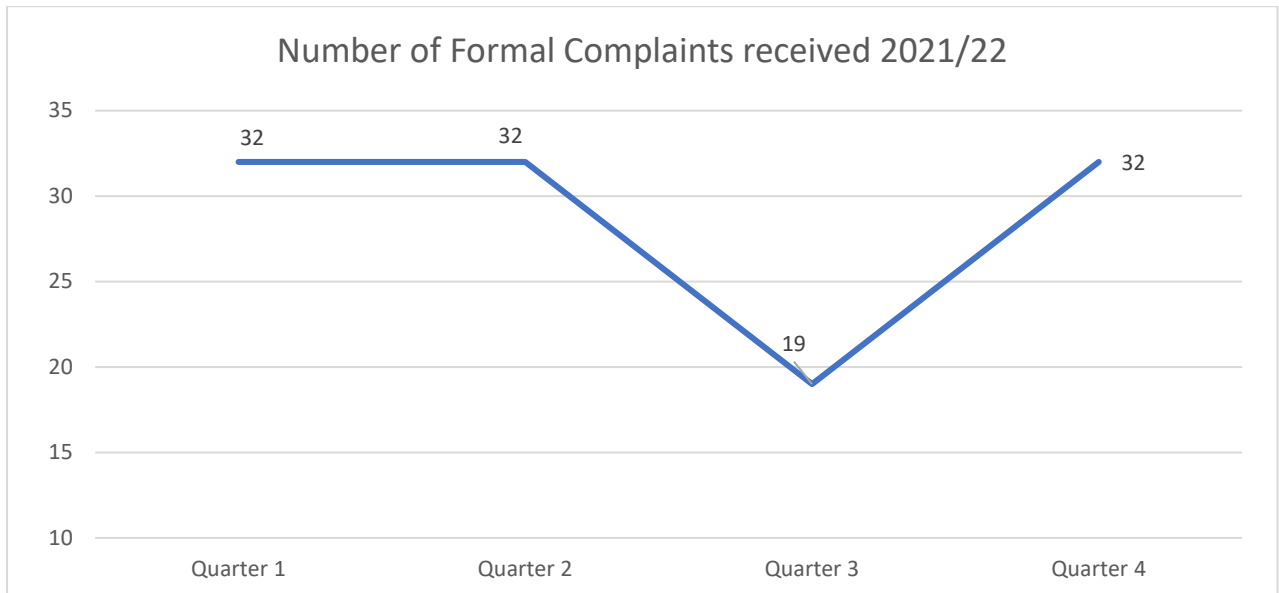
## 11.2 Complaints Analysis

The Council recognises that complaints are a valuable opportunity to gain feedback, learn and improve services. The Council wants to provide a positive response to complaints and encourages feedback so that positive action can be taken.

The Corporate Complaints process comprises a two-stage internal process comprising stage one complaints which are dealt with by Service Managers and stage two complaints where the stage one response is reviewed by a Director. Where a complainant remains dissatisfied with the Council's response after this process, they can refer the matter for independent review by the Local Government and Social Care Ombudsman or Housing Ombudsman.

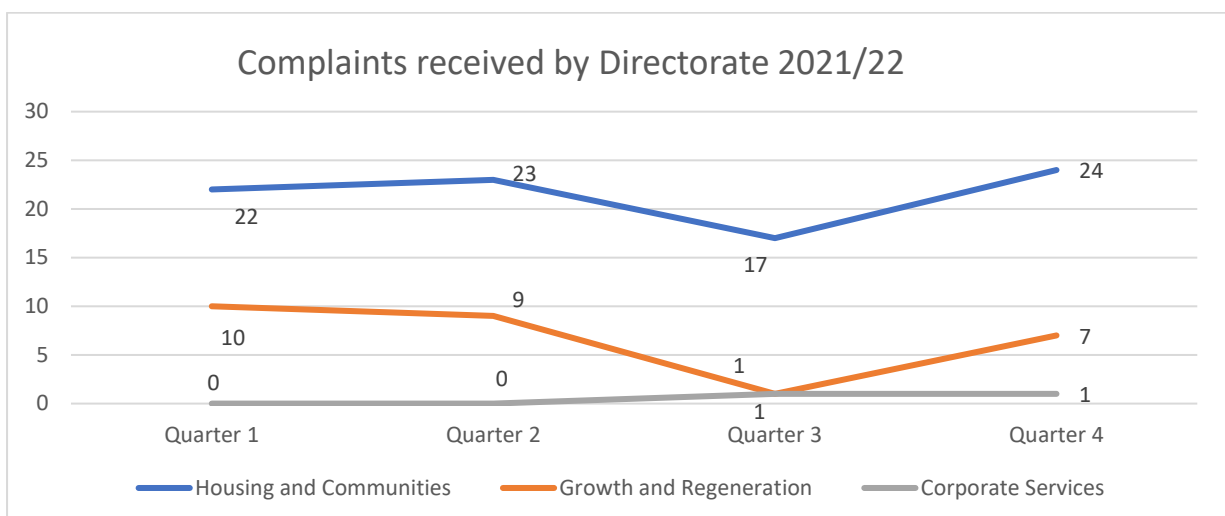
Whilst there is a process in place to record and respond appropriately to complaints, there has been a gap in being able to analyse complaints to generate insights, understand trends and embed learning. This will be addressed through some operational changes over the coming months to enable more analysis and learning across the organisation.

In 2021/22, the Council received 115 formal complaints from customers. The number of formal complaints in Quarter 4 rose to 32, returning to the level seen in Quarter 2.



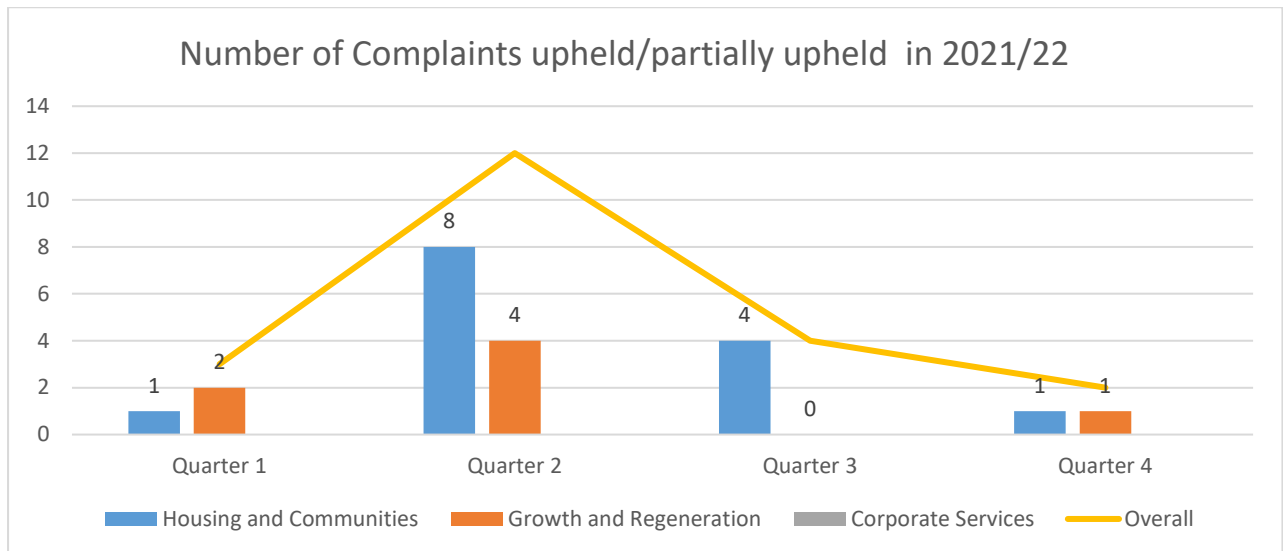
### Complaints by Directorate

Of the 115 formal complaints received from customers, the vast majority relate to the more customer facing departments of Housing and Communities and Growth and Regeneration. The breakdown of these complaints by Directorate is shown below.



### Complaints upheld or partially upheld

Of the 115 complaints received so far from customers, 21 of these have been upheld or partially upheld by the Council. The breakdown of these is shown below.



## Ombudsman Complaints

Since July 2021, 5 complaints have been determined by the LGSCO in respect of Melton Borough Council. These were in the following areas

- Planning and Development – 4
- Housing - 1

Out of the 5 referrals made to the LGSCO in this period, decisions were made on 5:

- 0 complaints were not upheld;
- 2 complaints were upheld;
- 3 complaint were closed after initial enquiries;
- 0 where advice was given;
- 0 was deemed incomplete or invalid;
- 0 were referred back for local resolution;

## 12. Governance and Risk

### 12.1 Annual Governance Statement

The Council undertakes an annual review of the sufficiency and effectiveness of its governance framework. At the end of each year annual assurance statements are

issued to each Member of the Senior Leadership Team to provide assurances on the identification and assessment of risks, and that sound operational arrangements exist within their service. Following their return these are considered by Senior Leadership Team to identify which of the issues raised are appropriate to be included in the Annual Governance Statement (AGS). In addition the Council receives an annual report from the Head of Internal Audit providing details of the effectiveness of Internal Control with an annual opinion. This information is considered alongside the Council's Local Code of Corporate Governance which is consistent with the principles set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework 2016. In line with CIPFA guidance the AGS has also included a second conclusion on the adequacy of governance arrangements during the period of the COVID-19 crisis. The conclusion from the review is that the Council continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective and are consistent with the local code of Corporate Governance which is consistent with the principles set out in the CIPFA/SOLACE Framework 2016. Progress against those items identified in the 2020/21 annual governance statement was reviewed. Consideration was given to any issues that needed to remain an area of focus during 2022/23 along with new areas of focus identified from the 2021/22 review and are set out in the action plan in the same document.

## **12.2 Risk Management**

The Council has a Strategic Risk Register which was formally reviewed and updated during the year with the Strategic Leadership Team. A formal annual review is also undertaken by the Audit and Standards Committee. A refresh of the Risk Management Strategy, Tool Kit and associated risk registers was undertaken and formally approved by the Audit and Standards Committee in September 2019 and is due to a formal review later in 2022. The risks contained in the updated Corporate Risk Register are:

- Failure to Secure financial stability in the medium term
- Future provision of ICT services following end of current outsourced contract
- Financial pressures undermining partnerships (integrated working)
- Failure of a key supplier e.g. Housing Repairs, Waste and Leisure
- Failure of the Housing Revenue Account business plan
- GDPR Compliance
- Council unable to manage the impact of the Coronavirus on council services
- Impact of Coronavirus on the business and communities of Melton
- Instability and diversion of focus away from the Corporate Strategy created by the Devolution and Local Government Reorganisation debate
- ICT security Breaches
- Inability to influence, secure and then maximise the benefit to Melton residents from Devolution, County Deal and UK Shared Prosperity Fund

- Failure to deliver MMDR (in full or in part) and the financial and legal impacts on Melton Borough Council arising from any agreement with the County Council which seeks to support delivery.
- Failure of the Housing Revenue Account Business Plan
- Uncertainties regarding future leisure provision in Melton

All risks in the Strategic Risk Register are supported by an action plan which is regularly reviewed and updated.

At an operational level a risk register review has also been undertaken within each of the directorate areas to refresh and update the current service risks which will be regularly reviewed by directorates. Key projects are also supported by a risk log and reports to the Council's committees also have a section where the risks of proposals are considered as part of the decision making process.

## **13. Summary Position**

The year-end position for 2021/22 has shown that flexible budget management processes and the good working relationships and partnership between finance and budget holders has enabled increased costs to be offset by savings elsewhere in the main as well as managing the financial impact of Covid. This represents a tremendous achievement for the Council in such economically challenging times and managing the impact of the coronavirus.

In 2021/22 the Council has faced a number of challenges and with the further significant changes ahead the Council will need to adapt and tackle these challenges head on. There are risks as highlighted above which will need to be managed through the Melton's robust risk management processes. Whilst the council ended the financial year in a stable and somewhat improved position the legacy impact of Covid-19, cost of living crisis and local government funding review will continue to provide great uncertainty and we will need to continue closely monitoring and managing this if the Council future financial sustainability is to be secured.

## **14. Receipt of Further Information**



If you would like to receive further information about these accounts please do not hesitate to contact me at Melton Borough Council, Corporate Services, Parkside - Station Approach, Burton Street, Melton Mowbray, LE13 1GH.

## **15. Acknowledgements**

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues, from the Finance team and other services, which have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

D K Garton CPFA

Section 151 Officer

Director for Corporate Services