



**Melton  
Borough  
Council**

# **Narrative Statement**

Helping People. Shaping Places.



**2020/21**

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## **1. Introduction to the 2020/21 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 2021. 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. The year-end financial position for 2020/21 has been particularly challenging due to the impact of the pandemic on the council's finances. These continue into 2021/22 with the impact on a variety of costs and income streams. There have been a number of government grants provided to the Council in 2020/21 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 and community hub, 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 2021/22.

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.

In September 2020 we approved our refreshed Corporate Strategy to take us up to 2024. This was developed following an extensive piece of work and public consultation with over 1,700 residents and refreshed in order to incorporate our response to the current crisis and it remains as the cornerstone for our focus for the years ahead. A balanced budget was again set for 2021/22.

The preparation of the 2020/21 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 2021/22 and later years will bring. Challenges in external audit resources have meant that the finalisation of the 2019/20 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 2020/21 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 outlook for 2020/21;
- 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 2021. 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 yearend well under budget whilst delivering on service promises.

Dawn Garton CPFA

Director for Corporate Services

## 2. About Melton

Located within the heart of the East Midlands, Melton Borough consists of 48,138 hectares with a total population of 50,376. According to the 2011 Census, residents aged 0–15 years accounted for 18.1%, residents aged 16-64 accounted for 63.4% and those aged 65+ years accounted for 18.4% of the total population. More recent data compiled from the ONS Annual Population Survey estimated the total population in 2019 to be 51,200.

The main activities of the borough are centred within the market town of Melton Mowbray, in which half of all residents live (26,000). The Town Centre has a rich and diverse retail and other uses offer, enhanced by a weekly Livestock Market and twice-weekly Farmers Market. A large number of attractive villages surround the rural area, including the larger settlements of Asfordby, Bottesford, Long Clawson and Waltham on the Wolds. A total of 99.1% of the population lived in households and 0.9% lived in communal establishments. There were 22,212 household spaces in total (Census, 2011).

Internationally known as England's 'Rural Capital of Food', the borough's food and drink related manufacturing is the single largest employment sector. With strong productivity improvements, influenced by the strong manufacturing sector in the borough, employment growth is expected to be relatively modest at 2,400 jobs during 2011-2036. Although this specialisation provides bespoke opportunities and a degree of local resilience, there is a need to monitor how this sector will perform in the future. It is equally important that other emerging sectors within the borough are encouraged to develop and prosper to ensure our local resilience.

When taking into account the rate of economically active residents, it is surprising to learn that the borough and the England average both equate to 79.1%, compared to the East Midlands rate of 79.6%. The borough currently has relatively low levels of unemployment and those claiming out of work benefits. As at April 2021, just 4.4% (1,255) of residents claimed JSA & UC benefits, compared to the East Midlands (5.5%) and England (6.4%) rates. The recent pandemic has resulted in the formation of the Furlough Scheme & Self-Employment Income Support Scheme (SEISS). In March 2021, Melton Borough recorded a total of 13.4% of businesses using this scheme, compared to the Leicestershire average of 15%. Those accessing SEISS was 0.55% in February 2021, which was the lowest recorded across all districts in Leicestershire.

Melton Borough comprises of a large number of micro enterprises (2,295 enterprises; 90.9%), which is slightly higher than the East Midlands rate (89.1%). Small enterprises consist of 7.7% (195 enterprises), compared to the East Midlands (8.9%). Medium enterprises (30 enterprises; 1.2%) and large enterprises (5 enterprises; 0.2%) account for a small proportion of all businesses within the borough (ONS, UK Business Counts 2020). With a relatively small economy, investment or disinvestment decisions by individual businesses could have a greater influence on the overall scale of growth in the area.

Reports of the number of enterprise births during 2019 indicate that levels were slightly lower (220) than enterprise deaths (235). However, when taking into account enterprise survival rates, the picture is more positive. One year survival rates within Melton borough is 93% (England average is 89.3%). The three year survival rate is 58.8% (England average is 51.3%) and the five year survival rate is impressive at 50% (England average is 42.5%).

ONS reports for the period January 2020 – December 2020 indicated that the working age population of Melton Borough residents qualified to NVQ level 2 and above is 77.7% (East Midlands, 76.5%) and the proportion qualified NVQ level 4 and above is 38.6.% (East Midlands, 78.2%). It is considered that the low attainment levels reflects the relatively low skilled jobs that are available locally. This is largely attributed to the presence of a number of large manufacturers, particularly in food related businesses, relying on a lower skilled workforce. Melton Borough Council understands that in order to strive ahead to support and service the higher skilled jobs, there is a requirement to improve the attainment levels of both residents and those employees of businesses located in the borough.

Recently obtained apprenticeship data (2019-2020) reveals that there were a total of 270 apprenticeships being studied during this period. The most popular course was Business Administration (60 apprenticeships), closely followed by Health, Public Services & Care (50 apprenticeships) and Retail & Commercial Enterprise (50 apprenticeships). There were a total of 40 Manufacturing & Engineering apprenticeships being studied during this period. Along with encouraging apprenticeships in our other key sectors, increasing attainment in Manufacturing & Engineering qualifications will be a key focus going forward.

According to ONS data, resident earnings in 2020 were £526.10 per week, with an average hourly rate of £12.69. This is well below the average rate reported for England (£587.10), with an average hourly rate of £15.18. Workplace earnings for the same

period reported a weekly pay of £446.70, with an hourly rate of £10.49. This once again reflects a stark contrast when compared to the England weekly pay rate (£586.70), with an average hourly rate of £15.17. The England median resident earnings in 2019 were £591.30. In the LLEP area the figure was £543.50 and in Melton district £512.70 which is £78.60 below average.

Melton Borough Council aims to deliver 6000 new homes during the course of the Local Plan period (2011-2036), with a 65% - 35% split between the town and surrounding villages. The average price of residential properties in Melton Mowbray over the last year is £245,399. The majority of house sales in Melton Mowbray during the last year were for detached properties, selling for an average price of £336,204. Semi-detached properties sold for an average of £195,798 with terraced properties fetching £154,154 on average. Overall, the value of sold prices in Melton Mowbray over the last 5 years has exhibited an increase of 18.5% (Zoopla, 2021).

Average monthly rental costs range from £417 for a room and £486 for a 2-bedroom flat to £707 for a 3-bedroom house. The average rent across all properties in Melton Mowbray is £537 per month (home.co.uk). Taking into account the divergence of housing prices and wage, it will further increase the housing affordability ratio, thus decreasing housing affordability.

## 2.1 Resident Survey

The Council's Resident Survey, conducted in June/July 2019, has provided a considerable amount of detailed data about the Borough. Among the prominent information delivered is a clearer picture of those services that the public find most satisfying.

### Resident Survey 2019 – top 5 services by satisfaction

Rank	Service	Very Satisfied	Fairly Satisfied	Total Satisfied
1	Waste & refuse collection	41.5%	40.4%	81.9%
2	Doorstep recycling	33.0%	41.8%	74.8%
3	Parks & Open spaces	19.4%	47.0%	66.4%
4	Collection of Council Tax	23.9%	39.2%	63.1%
5	Street Cleaning	12.7%	43.2%	55.9%

## 2.2 Political structure

Melton has 16 wards and there are 28 Councillors serving on Melton Borough Council. They are each elected for a 4-year term. During the financial year 2020/21 the Leader of the Council was Councillor Joe Orson (Conservative). The Borough Election was last held on 2 May 2019. The political balance of the Council is 20 Conservative seats, 5 Independent Group seats and 2 non-aligned members. This balance determines how seats on Committees are allocated.

Following the Annual Meeting on 16 May 2019 the Council has operated a Leader and Cabinet model of governance. Cabinet members have improved accountability and decision making within the Council supported by positive check and challenge from a cross party Scrutiny Committee.

The calendar of meetings will be confirmed at the Annual Meeting. It is intended that Cabinet will meet on 11 occasions in the next financial year.

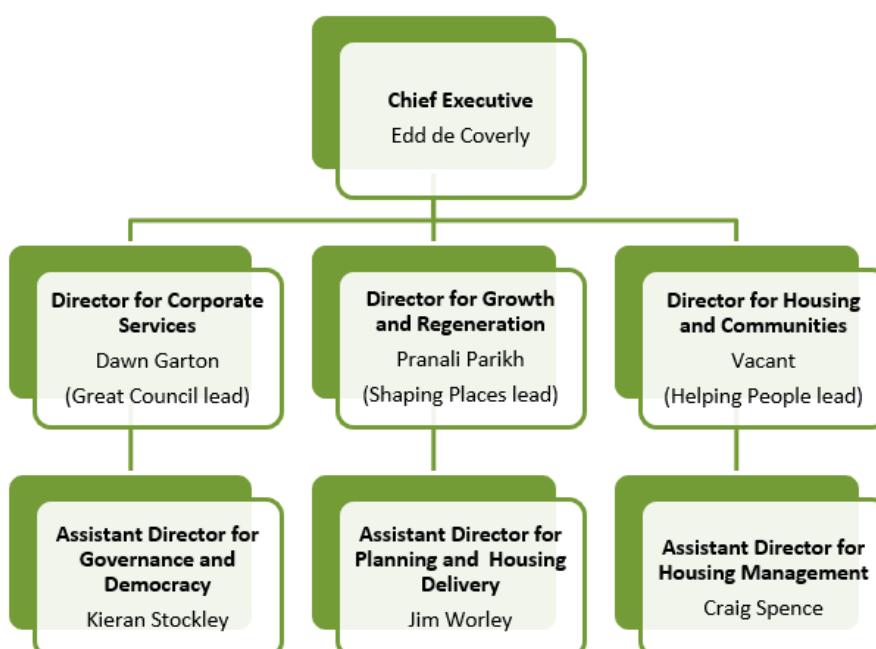
Membership of Committees is determined each year at the Annual Meeting which was held on 14 May 2020.

### 2.3 Management Structure

Supporting the work of Councillors is the organisational structure of the Council. This was revised during the year and is reflective of the Council's key corporate activity:

- Corporate Services (including Legal, Governance and Democratic Services)
- Growth and Regeneration (including Regulatory Services)
- Housing and Communities

The Chief Executive has overall responsibility for these services supported by three Directors. As at 31 March 2021 we employed 194 (167 full time equivalents).



## 2.4 Trade Union Time

Category	Data
<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>	➤ 3 staff (3.0 FTE) 13 days union activity per year
<b>2. Percentage of working hours spent on facility time</b>	➤ 0% of working hours: 0 representatives ➤ 1 to 50% of working hours: 3 representatives ➤ 51 to 99% of working hours: 0 representatives ➤ 100% of working hours: 0 representatives
<b>3. The names of all trade unions represented in the local authority</b>	➤ UNISON, GMB
<b>4. Total pay bill and facility time costs</b>	
<ul style="list-style-type: none"> <li>• <b>Total pay bill:</b></li> </ul>	➤ £6,533,738.02
<ul style="list-style-type: none"> <li>• <b>Total cost of facility time</b> - 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</li> </ul>	➤ £800
<ul style="list-style-type: none"> <li>• <b>Percentage of pay spent on facility time</b> - 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</li> </ul>	➤ 0.04



## 2.5 Corporate Strategy

The vision and strategic priorities for the Borough provide a 'golden thread' that run through this narrative statement. The Council's goal is to enhance the quality of life for everyone in the borough of Melton to achieve a sustainable, prosperous and vibrant community a place where enterprise can flourish and where people want to live, work and visit.

The Corporate Strategy 2020-2024 was finalised in September 2020 having been originally approved in February 2020, but then further updated during the six months to September 2020 to allow for the impact of COVID-19. This derives the 'line of sight' from the Council's Corporate Mission:

- Helping people. Shaping places.

and from the Council's Corporate Values:

- We are ambitious for Melton's future. We want to enhance the quality of life for everyone by enabling more homes to be built, attracting quality jobs and supporting strong and prosperous communities.

The Corporate Priorities shown below reflect those of the new 2020-24 Strategy. Against the three main Corporate Themes, the three directorates have provided updates for 2020-21 to show the Council's activities in delivering the Council's Priorities.

## Our Corporate Priorities

### Helping People



#### Priority 1

Excellent services positively impacting on our communities

#### Priority 2

Providing high quality council homes and landlord services

### Shaping Places



#### Priority 3

Delivering sustainable and inclusive growth in Melton

#### Priority 4

Protect our climate and enhance our rural, natural environment

### Great Council



#### Priority 5

Ensuring the right conditions to support delivery (inward)

#### Priority 6

Connected with and led by our community (outward)

## Our Corporate Values

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

Creative and resourceful; taking responsibility and responding positively to challenges.

Ambitious and seeking excellence; always proud to serve.

We care



We innovate



We achieve



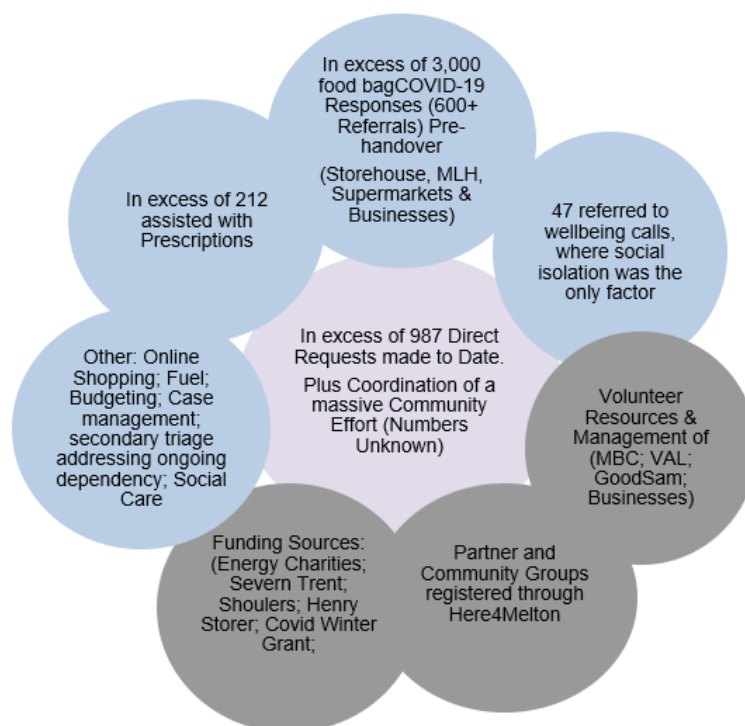
We are Melton

## Helping People

### COVID-19 Response

The Council had a vital role in supporting residents impacted by COVID-19 and the lockdowns from March 2020. In response, the Borough established the Community Support Hub which, established on 18 March 2020, was one of the first in the Country. Staffed by Officers seconded from across the Council, its key purpose was supporting residents impacted by COVID-19, both coordination through existing community groups and filling in any gaps as necessary. Its success in removing barriers to provide a flexible response and close partnership working with other key statutory partners can be seen in some of the following measure:

- Recognised as one of the top 5 areas in the country for proportion of NHS volunteer responders deployed.
- Cited by the Local Government Association as best practice for Community Hubs and featured on BBC East Midlands Today
- Deployed 90% of the Borough's register volunteers (the highest in the County)



### Community Safety

Following extensive consultation with the public and stakeholders, March 2021 saw a new Community Safety Strategy adopted by the Council, outlining the main priorities for the Safer Melton Partnership, with regard to crime, disorder and other aspects of safety for communities. For each priority, the partnership has identified what we want

to achieve and how we will work to achieve this. Communities themselves know the issues that affect them the most, and have a major part to play in making themselves as a community safer. We have worked with communities and neighbourhoods to listen to their concerns and issues and these are reflected in the priorities.

The Safer Melton Partnership has sought the views of communities, partner agencies and stakeholders to ensure that the community is placed at the centre of decision making and service delivery. The priorities are:

- Drug related crime – county lines and safeguarding
- Road Safety
- Violent crime
- Cybercrime
- Improved communication

### **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. This year has of course seen significant pressure put on local authorities due to the urgent response needed due to the COVID\_19 pandemic. At the same time, a number of equality related issues that have arisen both nationally and internationally, including the Black Lives Matter (BLM) movement.

Black Lives Matter made national and international headlines for a large part of 2020, bringing to light the inequality and disadvantage many Black communities face. Whilst no direct reports have been made to our Community Safety Team in relation to BLM, data for December 2019 to December 2020 (inclusive) shows that generally hate crimes have increased across LLR, with Melton seeing a 33% increase in hate with 62% being race related.

An Anti-Racism Motion was passed by Full Council in July 2020 - Members agreed to reaffirm the Council's commitment to promoting equality and fairness for all, and condemning any and all forms of racism. A programme is currently under development to demonstrate the prevalence of racism in the community and how this can be addressed.

### **Council Housing**

On 4th November 2019, the Council approved the delivery of the Housing Improvement Plan (HIP). Since that date, the Council's landlord function has seen a period of possibly unprecedented activity and focus. Significant investment has addressed major failings in the compliance function and driven structural change.

However, the impact of the COVID-19 pandemic cannot be underestimated, and the first national lockdown led to suspension of services across the housing sector; as a consequence, a reduction in both contractor availability and material supplies for all but the most urgent activity impeded planned capital works programmes and non-urgent repairs. Despite this, a keen focus has been maintain on Health and Safety

activities. Reassurance can be given that the sustained achievement of 100% gas servicing throughout the autumn has continued.

A key component of the relationship between any landlord and tenant is the tenancy agreement. The existing Melton tenancy agreement required considerable update – a new proposed tenancy agreement has been developed in consultation with the Tenant Forum Executive Committee (TFEC) and was approved by Cabinet on 20 January 2021, and will take effect from April 2021. This is a significant piece of work; a major milestone for the Council in redefining and resetting its focus on tenancy management.

Through the corporate restructure confirmed by Council in November 2020, an Assistant Director for Housing Management has been created to assist with the intensive and significant change programme currently underway. Alongside this, permanent Tenancy Services Manager and Housing Development Manager posts to deliver against the Corporate Strategy ambition to provide new high quality council homes have been confirmed.

### **Shaping Places**

The Melton Local Plan was adopted in October 2018 and works hand in hand with key council strategies including the Growth and Prosperity Plan and wider sub-regional strategies to ensure that the Borough Council is doing everything possible to support delivery of sustainable growth to enhance the prosperity of its residents and businesses.

The Local Plan has identified the challenges the Borough faces in terms of its ageing population and the impact this might have on the economic growth of the Borough through the ability to service businesses with an appropriate workforce. It proposes a level of growth significantly above basic demographic need (by around 40%) to address these trends and to address serious deficiencies in the housing market in relation to the affordability of market housing and availability of affordable housing. It also provides a blueprint for the delivery of key infrastructure in order to enable the Borough to unlock its potential and allow growth to flourish.

Key within this is the Melton Mowbray Transport Strategy which includes an outer Distributor Road as a key element to alleviate congestion within the town centre of Melton Mowbray, one of the main constraints on growth and influences on the quality of the town centre environment, and facilitating development. Around £50million central government funding has been awarded and the Councils are forward funding the remaining balance for this project (£14 million). Planning permission has been obtained, compulsory purchase procedures are underway and work is due to start in 2022.

A further award of £15 million has been offered to the local Highways Authority (LHA) for the southern leg of the MMDR 'south' which is currently the subject of contractual negotiations between the County Council as Highways Authority, and awarding body Homes England.

The Council continues to pursue other and complementary sources of funding and support and has secured in excess of £15 million through s106 developer contributions towards the MMDR.

Melton Borough Council is a partner in the production of the Leicester and Leicestershire Strategic Growth Plan (SGP) alongside other Councils, the City and County Councils and the LLEP. This is a long term plan to address the growth and development challenges in the Leicester and Leicestershire area and the opportunities they present beyond the lifespan of existing Local Plan (i.e. 2031 -2050). It is a non-statutory plan to which each of the partner authorities has agreed will be delivered through their Local Plans. The SGP identifies Melton Mowbray as a Growth Area, maintaining the level of growth presented by the Melton Local plan into the longer term future to 2050. Further work is in hand via Statement of Common Ground to develop a joint approach to resolving issues of unmet need relating to principally the City of Leicester.

Melton and neighbouring Authorities have joined the 'A46 Partnership' and signed up to the Trans Midlands Trade Corridor to work together to demonstrate to Government the priority that should be given to investing in upgrade of the A46 along its entire length from Tewkesbury to the Humber ports.

The strategic growth facilitated by the proposed Melton Mowbray Distributor Road, will be complemented by further strategic development in the town to support economic growth and regeneration of the town centre. Masterplans are being produced to guide the fulfilment of the largest scale developments.

This development strategy is delivering positive outcomes with a step change in housing completions in 2017/18 of 157, 222 in 2018/19 and continues to improve with 334 completions in 2019/20 and 310 in 2020/21, despite the impact of the UK leaving the EU, and the coronavirus pandemic. Planning permission has been granted for some 1500 further dwellings and several sites are under construction. Within these developments there has been a high level of affordable housing (73 in 19/20, 90 in 20/21) with an increasing trend towards a variety of tenures in order to meet disparate needs. At present, delivery is ahead of anticipated trajectories.

Wide ranging s106 contributions have been secured for vital infrastructure such as schools and health facilities, including land for the MMDR and some £10million financial support.

Delivering sustainable and inclusive growth in Melton remains a key strategic priority for the Council. The following focus areas have been identified to drive Growth and Prosperity in the Borough:

- Work with partners to promote Melton and deliver the promise of the 'Rural capital of food'
- Improve access to higher paid jobs, skills and tackle low wage economy

- Regenerate our town centre, encourage inward investment and create jobs
- Increase housing supply and accelerate housing delivery
- Take a commercial approach to the management of our assets and deliver jobs, homes and income
- Establish an affordable and sustainable future for our leisure facilities
- Support delivery of Melton bypass and other infrastructure to enable growth.

Melton Borough Council has a good track record for securing funding and taking a proactive approach to delivering growth. The Council has launched an ambitious asset development programme for rationalisation of council's assets and explore the full development potential for them. In addition to the £500,000 grant funding received from LLEP, the Council has committed match funding and resources to deliver this programme. The Council was successful in receiving £100,000 grant money for the development and promotion of the 'Rural capital of food' concept. Matched by the Council's own funding, this project is well underway for delivery and provides valuable technical advice to food production businesses. In order to deliver the vision for enhanced health and leisure hub in Melton, the Council has committed funding to match the £100,000 grant funding received from LLEP and working with the local CCG to plan for delivery.

Leicestershire County Council has been successful in receiving an offer of £14.5m of the Housing Infrastructure Fund (HIF) to deliver the road infrastructure for the Southern Sustainable Urban Neighbourhood delivering approximately 2000 homes but has yet to accept it. The infrastructure is not dependent upon this award and the Council will work with developers to secure the infrastructure as part of the progression of their developments. This is in addition to the £50m DFT funding received for the North-Eastern section of the Melton Mowbray Distributor Road (MMDR).

Moving forward, the Council will work with the stakeholders and delivery partners in utilising the funding received, along with the Council's assets with development potential and the skills and experience of the workforce to achieve sustainable growth.

### **Great Council**

The Council has 2 priority themes to ensure it is a "Great Council":

- Ensuring the right conditions to support delivery
- Connected with and led by our community

During 2020/21 the Council, like many organisations, has had to operate in an entirely different way in order to continue to provide services in a COVID-secure environment. Many staff have had to work remotely and our changed ICT needs have had to be met. Our buildings have had to be made COVID-secure to protect those staff that have had to come into the office to provide services. As a good employer we have had to meet the additional welfare needs of our employees during these challenging times.

In responding to these challenges some ICT and asset projects will have been delayed and as we move forward these will need to be reprioritised. The Council's finances became ever more challenging and we had to manage the increasing complexity created by the additional resource pressures placed on the Council. These pressures from increased resource needs and added complexity continue into 2021/22. Despite this the council is on track to introduce its new finance system from April 2021.

Moving forward to recovery the Council is developing a new operating model for when social distancing ends and staff are able to return to the office. This will involve understanding what our revised IT and property requirements are that can support a more hybrid style of working that enables those benefits in terms of efficiency that were achieved during the pandemic to be retained. The supporting HR and governance processes and procedures will also need to be developed to support these new ways of working.

One of the great success stories from the pandemic is the increased attendance by the public at council meetings through these being available online. In order to retain this the Council is introducing equipment to enable virtual attendance by the public to continue once meetings return to the offices. The Council is also working on developing a roadmap to harness the closer working relationship that has developed with community groups during this challenging time. This will ensure communities are actively engaged in the work that we do.

## **2.6 Policy Context**

The policy context within which the Council operates is set out in the following diagram:



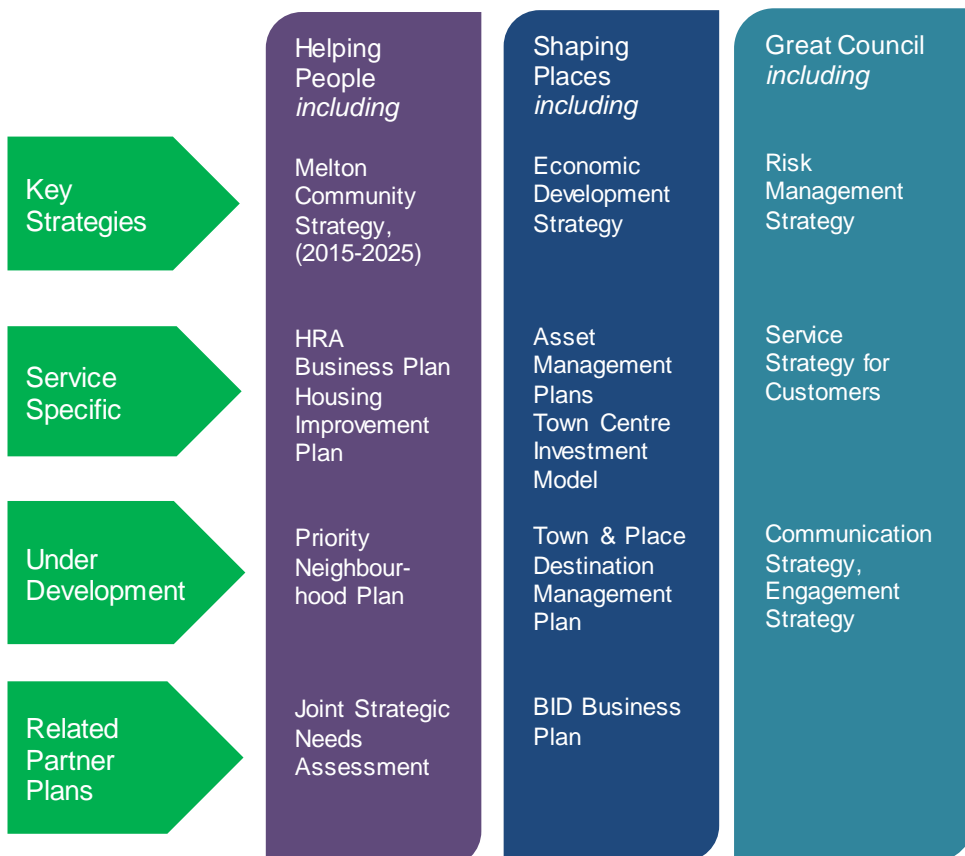
## Regional & Sub-regional

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  
 Leicester & Leicestershire Economic Partnership

## Our Corporate Strategies

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

## Our Corporate Priority Strategies



### **3. Key Factors that have influenced the financial position of the Council in 2020/21**

The overriding factor for the council over the course of 2020/21 has been the response to the Covid 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 continued impact of Covid. 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 Government's 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**

At the initial outbreak of the pandemic there was great uncertainty around the Covid 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.

As part of the council's initial response to the pandemic and to help monitor the financial impact a specific Covid 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 other service lines such as car parks. In terms of Covid expenditure charged directly to this service this covered areas such as increased B&B charges in support of homelessness and financial support to the leisure provider.

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 and when the implications of covid started to emerge. However, in order to achieve this we had to strip over £450k of savings from the budget and until government support was known our financial resilience was tested to its limit. We are still in very uncertain times in relation to our main revenue streams and we don't know how smaller businesses

are going to fare and specifically how individuals will cope when the central government support network currently being phased out starts to bite later in the year

The savings identified due to this uncertainty which has contributed to the large underspend puts the council in an improved financial position and will help not just with future financial resilience but also the financial implications that are likely to arise as the council deals with the backlog of work which has been which will need to be addressed moving forward.

As the Council progresses with its recovery work, the impact of providing certain demand-led services such as homelessness in the future will need to be assessed as such services may incur additional costs moving forward. Without sufficient revenue reserves the Council will have no contingencies for any unforeseen events as well as having no resources to invest in efficiency and transformation projects. The Council is currently working a sustainability plan to consider any savings options available to mitigate these risks.

With the regard to the impact on capital, the Council has a modest programme and but 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 2021/22 and are still expected to be delivered.

### **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 that might occur as a result Covid but fortunately once government funding was provided there were no issues. 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. The only short term change we had to make was to increase the counterparty limits to enable the management of the business rate grant funding government provided before payments were made to businesses. This was aimed at managing investments with approved counterparties with high credit quality and line with organisations the Council regularly use.

Moving some money to liquid funds and also the general impact of COVID-19 has seen a reduction in interest rates which will mean the Council will receive a lower investment return. This will have an impact on the investment income budget for the General Fund / HRA and create an additional budgetary pressure. However, the average rate of return is still 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**

At an early stage of the crisis, the Council assessed the key risks that could affect the authority and COVID-19 was included as a new item on the Council's Strategic Risk Register. As the response has progressed and the recovery phase commenced, it is clear that the remaining key risk is the impact on the council's finances in the medium to long term. The risk is the uncertainty still faced in terms of the level of expenditure and income shortfall that will not be covered by government funding and will need to be met from the Council's own reserves. This will have an impact on the future financial sustainability of the Council. The following risk impacts were identified:

- Sustainability of leisure services
- Ongoing loss of income – parking, planning
- Absence of further government support
- Impact on housing growth and regeneration aspirations.
- Increasing demand for services and support at a time when councils are under greater pressure

### **Plans for recovery**

The Council has led the local response and will lead the recovery, working closely with local partners and the community. Recovery is focussed on these areas:

- Service restoration – restarting those services which had to cease or be reduced when the crisis began
- Impact response – responding to those external factors which are a consequence of the crisis and may create new demands or additional burdens for the Council to respond to or address
- Organisational transformation –considering how any lessons learned from this period could be incorporated into the organisation's future mode of operation, culture and behaviours. This to include continuing and enhanced use of technology.

The recovery plans will be developed for the organisation and for Melton as a place. Support and co-ordination will also come through the Leicestershire LRF.

Internally, the Council has created an Organisational Development Programme which is looking at 3 main workstreams; **Property** – the space we need to work in for the future and how it should be designed, **ICT** - the equipment and systems we need to work effectively and efficiently and the **“Way We Work”** project looking at the culture,

working arrangements, behaviours, skills and policies we need for a more hybrid way of working. Ultimately, whatever we do, our focus will be on ensuring we deliver the very best services, and offer the very best working environment

#### **4. The 2020/21 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 2020/21 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 2020/21 representing a positive response to challenge 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 on 21 January 2020, with the formal budget proposals taking into account member feedback being recommended to Council by Cabinet at their meeting on 12 February 2020. At the meeting of Full Council held on 26 February 2020 the 2020/21 budget was formally approved which after taking into account the proposed savings and growth proposals resulted in a balanced budget for 2020/21.

The HRA rent setting and budget proposals for 2020/21 which are underpinned by the 30 year business plan were presented to Council and approved at the same meeting.

#### **5. Council Tax**

As part of the Cabinet recommendations to Council a principle for council tax was to set a £5 overall council tax increase. General Expenses was set at 3.21%, Sproxton, Gaddesby and Frisby Special Expenses at the level required to balance the budget, Special Expenses Melton Mowbray a reduction of 3.47% in order to bring the overall level to £5.

This was formally approved by the Council at their meeting on 26 February 2020. 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 2019/20 and 2020/21 is shown below:

	<b>2019/20</b>	<b>2012/21</b>	<b>Increase</b>
	<b>£</b>	<b>£</b>	<b>%</b>
Melton Borough Council (average for whole area excluding Parish Councils)	202.64	207.64	2.47
Leicestershire County Council	1,292.18	1,343.73	3.99
Police & Crime Commissioner for Leicestershire	223.23	233.23	4.48
Leicestershire Combined Fire Authority	66.64	67.96	1.98
Parish Councils (average for whole area)	66.07	67.21	1.72
Average for whole area (including precepts)	1,819.32	1,888.00	3.78

## 5.1 Council Tax Base

The revision to the 2020/21 Tax base, resulting in an increase of 267 to the number of Band D equivalents (as shown in the table below), produced an increase in Council tax of £167k when taking into account the council tax increase of 2.47% on an average band D property.

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Number of Band D Equivalent dwellings	18,380	18,670	18,937

## 5.2 Collection Fund

The payments out of the Collection Fund for the in-year Council Tax (excluding prior year surpluses/deficits) from 2018/19 to 2020/21 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.

	2018/19 £'000	2019/20 £'000	2012/21 £'000
Leicestershire County Council	22,838	24,124	25,446
Police & Crime Commissioner for Leicestershire	3,662	4,168	4,417
Leicestershire Combined Fire Authority	1,189	1,244	1,287

## 6. Medium Term Financial Strategy for 2020/21

All service budgets have been subject to scrutiny by both the Senior Leadership Team and considered by the Scrutiny Committee. In accordance with the MTFs no inflation has been provided for general prices unless adjusted by budget holders for known increases or contractual commitments. Pay inflation has been provided for at 2%. A number of principles and assumptions have been applied when preparing the budget as follows:

- That the Council sets a £5 overall council tax increase. General Expenses has been set at 3.21%, Sproxtton, Gaddesby and Frisby Special Expenses at the level required to balance the budget, Special Expenses Melton Mowbray a reduction of 3.47% in order to bring the overall level to £5;
- The approved establishment has generally been budgeted for in full, but no provision has been made for recruitment costs or savings as a result of any vacancies.
- The capital programme as set out elsewhere on this agenda is approved. The revenue implications of which have been considered when preparing the budget;
- Assumptions have been made in respect of a number of service related income streams in addition to assumptions over the level of interest from investments. The actual position could differ significantly from that estimated. Those services that continue to be particularly affected are retained business rates, building control, development control, car parking, and industrial unit rents;
- Estimated retained business rates income has been based on the Council's 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. A business rates equalisation reserve is held to smooth out some of these implications between years;
- Estimates of maintenance requirements for Council assets is based on best estimates provided by the property team. As set out in the Council's capital strategy, full stock condition surveys are essential in order to assess the ongoing impact on both revenue and capital budgets;

- No provision has been made for any non recurring costs or ongoing changes required to the base budget as a result of the planning review which has yet to be finalised and incorporated. These will come forward during the year;
- Assumptions have been made regarding grant income and charges for services provided by other partners, where certainty surrounding these costs and income, have not yet been provided;
- Any balance on the General Expenses revenue budget is transferred to/from the Corporate Priorities Reserve and Special Expenses Melton Mowbray is transferred to/from the Special Expenses Reserve.

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 2020/21 followed by further overall increases of £5 to 2023/24;
- The expected position is based on the current level of service provision with assumptions incorporated regarding inflation changes to income streams and demand. No allowance is 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;
- The full extent of any financial impact arising from Welfare Reform including Universal Credit has not been allowed for due to insufficient information;
- Due to the fair funding review and review of business rates, the outcome of which is now delayed, the projection has been made based on reasonable assumptions and known funding streams only. The projections, therefore, include the phasing out of the NHB grant as set out by the government, but does not include any assumption made for any replacement growth incentive funding. It is anticipated that the Council will benefit from some form of housing growth incentive in the future but to include any replacement funding at this stage would be purely speculative and therefore it is important to note that the position shown represents the worst possible position in relation to the loss of NHB. The current business rates retention methodology is assumed to continue though should previous proposals regarding the resetting of the business rates baseline proceed it would further exacerbate the loss of funding and increase the financial challenge beyond current assumptions.
- It has also been assumed Rural Services Delivery Grant will continue at it's 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;
- The only allowance that has been made in the forward projection for income that may need to be utilised to support the Melton Distributor Road is in respect of council tax with the phasing out of NHB which is the main element of funding to be allocated as part of the proposed agreement;



- Growth projections for residual NHB and council tax growth have been based on the housing growth figures provided by the local plans team based on the current grant criteria.

## 7. Projected Level of Balances

A Statement of Revenue and Capital Reserves was prepared for 2020/21 based on the following assumptions:

- The capital programme and the movement in the reserves and balances is as reflected in the budget;
- Any increase or shortfall against the target working balance on General Expenses at 31 March 2020 be adjusted by transfers to/from the Corporate Priorities Reserve and for Special Expenses Melton Mowbray any surplus/deficit be transferred to/from Special Expenses;
- 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.

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. In 2020/21 these reserves being utilised to match fund grant funded projects of a non recurring nature. 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.

CIPFA (the Chartered Institute of Public Sector Finance and Accountancy) have issued a Financial Resilience index for all councils which is available publically this is in response to concerns regarding the viability of council's. 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. The key messages for Melton from this index are as follows:

- Compared to other district councils, and particularly similar district councils classed as being our "nearest neighbours" in terms of comparability, Melton is shown as being of higher risk due to our level of reserves being comparatively lower. In addition our reserves reduced in 2018/19 compared to 2017/18 whereas a large

number of other council's reduced by a lower amount or in a large number of cases increased in response to the financial risks facing local authorities from the uncertainty surrounding funding. When tracked over the previous 3 years Melton was also using its reserves at a comparatively faster rate than other similar authorities and district councils. As set out elsewhere the council has been addressing this and the proposed budget does not draw on reserves for any recurring expenditure;

- Melton is at a low risk compared to similar authorities and other districts as a result of having no general fund debt and therefore no interest being payable;
- Melton is 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 council tax which we retain control over;
- 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 need to reduce the requirement to draw on the reserves. With a balanced budget proposed in 2020/21 this represents a positive response to this need and in particular given some non recurring expenditure being funded from the revenue budget enabling some headroom for meeting deficits in future financial years. This demonstrates the Council is addressing the concerns raised in previous years. 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 its 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.

At the meeting of Full Council on the 26 February 2020 the total reserves as at 31 March 2020 was predicted to be £19.435m and were expected to decrease to £16.538m as at 31 March 2021 as result of financing the capital programme in the main. The Statement of Accounts revises the level of balances at the end of 2020/21 to £17.942m mainly as a result of slippage on the capital programme and revenue budget carry forwards / underspends.

## 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 26 February 2020 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 2020/21 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 £5.342m including £4.945m 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 2021/21 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 approval for the capital programme the Council has also refreshed the Capital Strategy for 2020/21. This is an annual requirement now following the revised CIPFA Prudential Code for Capital Finance in Local authorities published in 2017 which introduced the requirement to produce a capital strategy in 2019/20 and for the Chief Finance Officer to report explicitly on the affordability and risk associated with it. 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.

## 10. Revenue Outturn Position 2020/21

### General Expenses

A balanced budget was set for 2020-21 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 Budget	5,105	-	-
Approved c/fwds 2019/20	122	-	-
Supplementary Estimates	29	-	-
Revised Budget	<b>5,246</b>	4,355	(891)
Transfer to reserves	(60)	(60)	0
<b>Total Net expenditure</b>	<b>5,306</b>	<b>4,415</b>	<b>(891)</b>
<b>Total funding</b>	<b>(4,840)</b>	<b>(4,840)</b>	<b>0</b>

<b>Net Surplus (-) / Deficit for year</b>	<b>466</b>	<b>(425)</b>	<b>(891)</b>
<b>Funded by</b>			
C/fwd Reserve	(122)	<b>(122)</b>	0
Regeneration and Innovation Reserve	(100)	<b>(5)</b>	95
Corporate Priorities Reserve	(244)	<b>0</b>	244
Overall net position	0	<b>(552)</b>	<b>(552)</b>
Less c/fwds into 2021/22	0	<b>390</b>	<b>390</b>
<b>Overall Surplus (-) / Deficit for year</b>	<b>0</b>	<b>(162)</b>	<b>(162)</b>

The original net expenditure budget in respect of the General Fund for 2020-21 prior to council tax and grant funding was set at £5.095m, which was subsequently updated to an approved budget of £5.246m. The increase takes into account the budgets brought forward from the previous financial year (£122k) and subsequent approvals funded from reserves to support initiatives identified in year (£29k).

The initial net budget for 2020-21 before allocated funding from reserves was £466k which after allowing for the movements in reserves and other adjustments maintained a balanced budget for 2020-21 as shown from the overall net position in the table above.

The provisional year end position shows a net surplus of £425k which is an underspend of £891k when compared to the latest approved budget. After taking into account that a large portion of the reserves are no longer needed to meet the actual spend the overall provisional net position for 2020-21 is a surplus of £552k.

After, allowing for the carry forward amount into 2021-22 of £390k the overall surplus for the 2020-21 financial year is £162k. As a result of the ongoing pressure on the budgets it is recommended that this surplus is carried forward into 2021-22 and added to the Covid contingency budget. This is due to the ongoing uncertainty regarding Covid expenditure and more concerning reduced income levels in some service areas. The governments income support scheme ended at the end of June 2021 and income levels are still lower than pre covid in some areas. The latest extension to the restrictions is not assisting with this recovery. Support for the leisure centre also continues and until restrictions are eased and levels return to a post covid normal the full impact will not be known. In addition there is pressure from the pay award with a current offer of 1.5% from the employers which was not budgeted for and a key risk highlighted when the budget was set This will enable there to be full flexibility to respond to areas of need.

The key reasons for the underspend against the net income and expenditure budget of £891k can be categorised as follow:

- Controllable service underspend, - £405k
- Budget reductions identified early in the 2020 financial year as a response to the covid pressures, prior to the additional government support being known - £467k
- Lower Internal recharges between funds £19k

During the course of the year and as part of the Councils initial 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.

There are a number of internal recharges which are processed as part of the year end closedown process which resulted in a movement of £19k compared to the original budget including the recharge of Covid costs to the HRA and Special expenses.

The remaining underspend relates to those budgets which are controlled by budget holders within service areas. 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.

## **KEY VARIANCES**

### **General Fund – Underspends**

- Homelessness (£18k) – Vacancy for the team leader options post. The majority of homelessness spend was charged directly to Covid which totalled £251k which is significantly more than the budget provision of £111k set for 2021-22, which could present a risk moving forward.
- ICT (£168k) - Delay in planned activities such as server replacements, changes to Microsoft licencing and end user equipment changes. A carry forward of £123k has been approved so these projects can be completed in 2021-22
- Finance System (£68k) - The finance system project straddles financial years with phase 1 completed in early 2021 and phase 2 still to come. The budget will be carried forward to support delivery of these elements.
- Communications (£50k) - Health and Safety Officer vacancy. Also delay to the website project with funding being carried forward to enable completion in this financial year.

- Waste Management (£52k) – Underspend due to a reduced level of Variation Orders throughout the year and lower inflationary increase than budgeted. Income is also significantly higher due to 2 factors. Bulky waste subscriptions were higher than budget and increased income for replacement and new bins, partly as a result of additional new development charges.
- Environmental Maintenance (£75k) – Number of vacant posts from December 2020 onwards, coupled with an underspend on premises related costs due to the reduced capacity of the team as a result of Covid19 from March to September 2020.
- Growth and Regeneration (£56k) - Salary savings due to vacant posts. Professional fees underspend required in 2021-22 for shared climate change officer post with Oadby & Wigston, Baseline study for carbon emissions, Health & Safety policy framework and contribution towards the costs of preparing masterplan/ vision document for bidding for levelling up fund.

#### General Fund – Overspends

One of the key impacts of Covid over the past year is the lost income totalling £1.115m from a number of key income streams, again predominantly attributable to Covid, the main elements of which are highlighted below:

- Council tax summons fees (£25k) – as a result of Covid, the courts are not operating for council tax summons cases. Therefore, the recovery of legal fees for costs incurred for issuing summons wasn't achieved;
- Waterfield Leisure Centre (250k) – Loss of Management Fee income as a result of Covid19 following closure of leisure centres; the council has also provided subsidy support as part of the council's partnership with SLM to ensure ongoing availability and provision of leisure services. This subsidy has been charged directly to Covid service code. This has been partly covered by the income guarantee scheme and specific sports England funding for restarting of leisure services.
  - Car Parks (£499k) – Income shortfall including season tickets and enforcement;
  - Development Control (£145k) – Income shortfall on planning fees;
  - Building Control (£33k) – Income shortfall;
  - Industrial Units (£16k) – shortfall on rental income due to vacant units;
  - Investment Income (£22k) – due to reduction in interest rates investment returns are lower than budgeted.

The other key general fund overspends in addition to reduced income are:

- Rent rebates / Allowances (£37k) - Covid has caused a huge number of changes across the year as there have been many more claimants out of work, as a result, the % subsidy levels were overall higher in comparison to those used in the budget. However, this has been offset by an increase in the sundry debtors bad debt

provisions in year due to the level of debt and secondly overpayment recovery income is down as there have been fewer invoices raised in the year.

- Customer Services (£49k) – There has been of ICT related overspends which have contributed to this variance linked to the IEG4 project and change in systems along with legislative system changes required on Northgate.
- Corporate Management team (£29k) – The savings target of £50k wasn't achieved in year which has been partly offset by the Director vacancy.
- Parkside (£36k) – This is mainly down to the repository savings of £20k not being realised in year plus a shortfall in income due to the reduction of hires and wedding ceremonies due to covid which has been included in the Income Compensation scheme.

## COVID IMPACT

As part of the council's initial response to the pandemic and to help monitor the financial impact a specific Covid 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 other service lines such as car parks. In terms of Covid expenditure charged directly to this service this covered areas such as increased B&B charges in support of homelessness and financial support to the leisure provider.

The table below provides a summary of the impact on the council's finances in 2020/21 due to covid.

<b>SUMMARY FINANCIAL IMPACT</b>	
	Estimated full Year Impact
Income Stream Loss	£1,114,900
Income Cover	-£666,376
<b>Net Income loss</b>	<b>£448,524</b>
Additional Spend	£659,213
Savings not achieved	£70,000
Less Government funding (Tranche 2, 3 and 4)	-£675,012
<b>Net Additional Expenditure</b>	<b>£54,201</b>
<b>total Net Impact to Cover</b>	<b>£502,726</b>
<b>Other Covid Support Funding</b>	<b>£434,559</b>
<b>Net Covid impact</b>	<b>£68,167</b>



As set out above early in the Covid response there was 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. This has created a considerable backlog in some service areas which will need to be addressed moving forward. The savings identified due to this uncertainty which has contributed to the large overspend puts the council in an improved financial position and will help not just with future financial resilience but also the financial implications that are likely to arise as the council deals with the backlog of work.

### **Special Expenses (Melton Mowbray)**

A balanced budget was set for 2020-21 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	614	-	-
Approved c/fwds 2019/20	13	-	-
Revised Budget	627	591	(36)
Non-service related expenditure	(98)	(98)	0
<b>Total Net expenditure</b>	<b>529</b>	<b>493</b>	<b>(36)</b>
<b>Total Funding</b>	<b>(516)</b>	<b>(516)</b>	<b>0</b>
<b>Net Surplus (-) / Deficit for year</b>	<b>13</b>	<b>(23)</b>	<b>(36)</b>
<b>Funded by</b>			
C/fwd Reserve	(13)	(13)	0
Overall net position	0	(36)	(36)
Less c/fwds into 2021/22	0	17	17
<b>Overall Surplus (-) / Deficit for year</b>	<b>0</b>	<b>(19)</b>	<b>(19)</b>

The net revenue expenditure in respect of Special Expenses (MM) for 2020-21 was originally estimated at £614k, which was subsequently updated to an approved budget of £627k. The increase took into account allowing for budgets brought forward from the previous financial year (£13k). After taking into account the use of reserves to fund carry forwards from 2019-20 there is a variance against the approved budget of £36k surplus of which £17k is being carried forward into 2021-22, resulting in a £19k surplus which can be transferred to the Special Expenses Reserve an increase over the approved budget.

The main reason for the underspend is on Open Spaces (£21k). This specifically relates to non-capital works for Country Park improvements and planned upgrading of play areas which were not possible throughout the pandemic due to staffing shortages

### Housing Revenue Account (HRA)

The provisional year end position shows an actual surplus of income over expenditure of £111,033 at "Total Expenditure" level, being an underspend of £1,021,873 against the approved budget deficit of £910,840 as outlined in the table below:

	Approved Budget £	2020-21 Estimated Year End Position £	Variance £
Expenditure	7,275,590	6,103,822	-1,171,768
Income	-7,712,760	-7,605,193	107,567
Net Interest Charges	1,079,960	1,061,342	-18,618
Revenue Contribution to Capital	268,050	328,996	60,946
<b>Total Expenditure</b>	<b>910,840</b>	<b>-111,033</b>	<b>-1,021,873</b>
Contribution to/from(-) Reserves	-336,700	111,033	447,733
In Year Surplus(-)/Deficit	574,140	0	-574,140
Working balance B/fwd	-1,720,860	-1,720,860	0
Additional Contribution to/from(-) reserves to set working balance to £750k	0	970,860	970,860
Working balance C/fwd	-1,146,720	-750,000	396,720

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 £84k 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. A reduced valuation fee following the procurement of this new contract and inability to incur court fees during the pandemic have also contributed to the underspend. Partially offset by higher and longer voids incurring Council Tax.
- Special Services £134k underspend due to budgeting for full establishment whilst vacancies were being filled for key roles, emergency works only carried out for 5 months of the year on contract works due to Covid restrictions and reduced requirement for food supplies during the pandemic as no lunch clubs held for non-residents.
- Repairs & Maintenance £865k underspend, as the Council rebuilds and strengthens the service any underspends arising from some vacant posts have not been fully offset by agency costs. In response to Covid the Council, like most, reduced the service offering to emergency only levels for 5 months; asbestos surveying was also being undertaken reactively. The Council's planned stock condition surveys were not commenced in 2020-21 but are now in progress. There is a carry forward from this 2020-21 budget towards the stock condition surveys in 2021-22 of £100k.
- Income shortfall of £108k due in part to higher and longer void property rates. The increase in void times is a combination of the impact of Covid reducing the number of operatives able to safely work together in a property combined with the poor decency standards of properties returned to us. Our increased operational focus on voids is enabling us to continuously improve our performance with monthly updates being circulated to all members. The removal of previously approved and budgeted Health & Safety charges and the pandemic affecting the meals (non-resident lunch clubs) and a reduction in car parking income. Few write-offs were completed in the year and there was an overall reduction in the age and size of current tenants' debts following the more targeted work with tenants on reducing their arrears balances.
- The actual contribution to reserves against the budgeted contribution from reserves reflects the underspends noted above and as approved in February 2020 a further contribution sets the HRA working balance to £750k. As a result, the reserves will be £1,318k higher as a result of the underspend less the carry forward plus the additional amount to bring the working balance back to its approved limit.

### **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, the continued impact of Covid. 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. In addition a pay award was not expected to be made in 2021-22 and was therefore not budgeted for based on previous government intentions. This is now not the case and therefore this creates a pressure in 2021-22 from unexpected additional costs

## 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 £547k based on 2% of gross revenue expenditure for 2018/19. They will communicate uncorrected audit misstatements greater than £27k to the Audit and Standards Committee.

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

During the year, no loans were repaid and none raised leaving the outstanding loan debt at 31 March 2021 at £31.413m. The maturity profile of the outstanding loan debt at 31 March 2020 and 2021 is shown below:

<b>Balance</b>	<b>Analysis of Loans by maturity</b>	<b>Balance</b>
<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£'000</b>		<b>£'000</b>
0	Maturing in less than 1 year	0
98	Maturing in 1-5 years	2,098
4,300	Maturing in 5-10 years	2,600
27,015	Over 10 years	26,715
<b>31,413</b>		<b>31,413</b>

Accounting practice requires that local authorities disclose the fair value, i.e. (the settlement value), of their portfolio. The fair value at 31 March 2021 was £48.673m

(£55.719m at 31 March 2020).

The figures have been calculated by reference to the 'premature repayment' set of rates in force on that day.

### **Investments**

During the year investments increased by £0.390m and stood at £22.890m at 31 March 2021.

### **Capital Expenditure**

Capital expenditure amounted to £2.916m which resulted in an underspend on the programme of £3.231m of which £3.209m will be carried forward into 2021-22.

The major items of capital expenditure in 2020-21 were; Disabled Facilities Grants £0.238m, and various works to Council owned dwellings £2.454m

The programme was funded by the following sources:

	<b>£'000</b>
Capital receipts	1,102
Major repairs reserve	1,470
Development & Regeneration Reserve	105
Third party contributions	65
Government Grants	276
Use of reserves	-12
	<b>2,916</b>

Other than the expenditure on capital projects set out above and income received from capital receipts in the sum of £0.285m 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 £10.704m, 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 increased by £3.772m and at 31 March 2021 totalled £17,942m. These are analysed below:

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>
Special reserves	10,337	15,042
Other reserves	1,419	1,451
General Expenses working balance	640	640
Special Expenses working balance	53	59
Housing Revenue Account working balance	1,721	750
	<b>14,170</b>	<b>17,942</b>

### **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 £28.553m has been included in the balance sheet, thereby increasing the net worth of the Council. This is an increase on the liability of £20.401m at 31 March 2019. This is principally because financial assumptions at 31 March 2020 are more favourable than they were at 31 March 2019 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 2020/21**

### **11.1 Performance against Corporate Objectives**

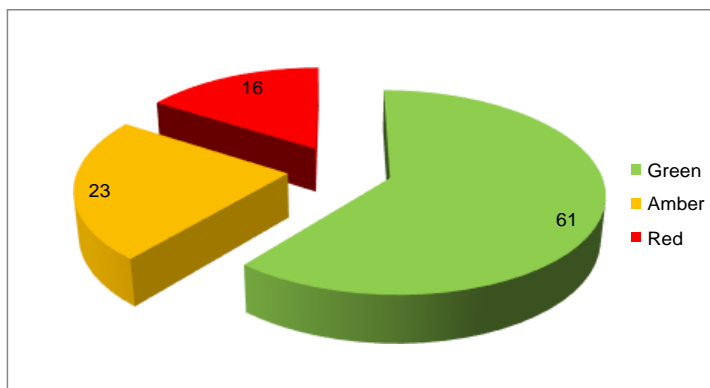
The advent of the new Corporate Strategy for 2020-2024 has seen a significant redrawing of the Council's performance reporting, with the focus on the Council's six corporate priorities, which themselves sit within the overall framework of the corporate themes.

Performance against the delivery of Melton Borough Council's three corporate themes of Helping People, Shaping Places and Great Council was monitored and reported quarterly through the year to the Senior Leadership Team. Quarter 2 and Quarter 4 performance was reported to Cabinet. The intention is that the full performance picture should be received by Members half-yearly for their detailed consideration.

A self-assessment overview of corporate performance for 2020/21 is presented below:

#### A. Corporate Measures set

Live measures	%	
Total	100	31
Green	61	19
Amber	23	7
Red	16	5



Green performance reflected where trends were maintaining or improving, amber where performance was within tolerance, and red where performance had deteriorated. A range of new measures had been created for 2020/21 for which a trend could not yet be established, and which were not counted in the above total.

## 11.2 Complaints Analysis

A further change to the Council's performance reporting in 2020-21 involved the combining of quarterly performance reporting with the reporting of complaints, to give better sight of the feedback from the public regarding the performance of services. Complaints reporting is quarterly to Senior Leadership Team (SLT) and half-yearly to Cabinet and Scrutiny.

Complaints performance for the year 2020-21 looked like this:

Complaints received 2020-21	Q1	Q2	Q3	Q4
Corporate Services		2		
Growth & Regeneration	12	10	1	5
Housing & Communities	13	32	21	12
TOTAL	25	44	22	17

Of the complaints received, those upheld looked like this:

Complaints upheld 2020-21	Q1	Q2	Q3	Q4
Corporate Services				
Growth & Regeneration				
Housing & Communities	4 in part	3 in part	3 in whole, 2 in part	
TOTAL	4 in part	3 in part	3 in whole, 2 in part	none

The 3 upheld complaints in Q3 were all regarding the quality of service.

The Council had one Local Government Ombudsman complaint against it upheld during 2020-21, an unchanged figure from the previous year.

The Council also received a number of compliments regarding its services during the year from members of the public:

Compliments received 2020-21	Q1	Q2	Q3	Q4
Corporate Services	3	1		
Growth & Regeneration	1		6	
Housing & Communities	8	9	4	1
TOTAL	12	10	10	1

## 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. Following 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 2021/22 along with new areas of focus during 2021/22 identified and are set out in the action plan in the same document.

## **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. 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
- Failure to deliver the Melton Mowbray Distributor Road
- Financial pressures undermining partnerships (integrated working)
- Failure of a key supplier e.g. Housing Repairs, Waste and Leisure
- Failure to maintain governance framework
- Failure to have contractual provisions in place for goods, works and services procured by the Council
- 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

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 2020/21 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 2020/21 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 continued impact of Covid-19 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