

# Audit, Governance and Standards Committee

20 March 2017

Is the final decision on the recommendations in this report to be made at this meeting?

No

## Budget Strategy – Risk Assessment Update

<b>Final Decision-Maker</b>	Council
<b>Lead Director</b>	Director of Finance and Business Improvement
<b>Lead Officer and Report Author</b>	Director of Finance and Business Improvement
<b>Classification</b>	Public
<b>Wards affected</b>	All

### This report makes the following recommendation:

1. That the Audit Governance and Standards Committee notes the updated risk assessment of the Budget Strategy provided at Appendix A.

### This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all
- Securing a successful economy for Maidstone Borough

### Timetable

<b><i>Meeting</i></b>	<b><i>Date</i></b>
Audit, Governance and Standards Committee	20 March 2017

# Budget Strategy – Risk Assessment Update

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The remit of the Audit Governance and Standards Committee includes consideration of risk. Accordingly, as part of the process of setting a budget for 2017/18, the Committee considered a risk analysis produced by the Finance Service for the Budget Strategy at its meeting on 16 January 2017.
- 1.2 Members requested that the risk matrix and register be updated and reported to each meeting of the Committee, so that they continued to be fully briefed on how (for example) the changing economic environment affects the Council's budget position.

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## 2. INTRODUCTION AND BACKGROUND

- 2.1 The key element in the Council's budget strategy is its rolling five year Medium Term Financial Strategy (MTFS). The current MTFS also fulfils the government's requirement that the Council prepare and publish an Efficiency Plan. The MTFS and Efficiency Plan were approved by Council in September 2016.
- 2.2 Officers subsequently developed detailed budget proposals for 2017/18 and the remaining four years of the medium term financial strategy. Following a thorough review of the budget proposals by the Council's Service Committees and some modifications, these were reflected in the annual budget for 2017/18 approved by Council at its meeting on 1<sup>st</sup> March 2017.
- 2.3 The updated Strategic Revenue Projections accompanying the budget report indicate a balanced budget position for the Council in 2017/18 and 2018/19, provided that all planned savings are delivered. However, there is a shortfall between savings identified and savings required in the remaining three years of the five year budget planning period. This is largely a function of:
  - 'negative Revenue Support Grant' of £1.589 million that the government plans to levy on the Council in 2019/20
  - uncertainty around future local government funding following the end of the current four year funding settlement from 2020/21 onwards.
- 2.4 Appendix A describes the budget risks in the form of a risk matrix and risk register. The risk profile has been reviewed by the Finance Service, with input from Internal Audit, since it was last presented to the Audit, Governance and Standards Committee at its January meeting. Factors considered in this review and their potential impact on the risk profile are as follows.

Risk	Factor considered	Implications for risk profile
Failure to deliver a balanced budget	Balanced budget agreed by Council for 2017/18	Impact – no change Likelihood - reduced slightly
Failure to deliver a balanced budget	Reduction in projected overspend Councilwide for 2016/17 (as reported to P & R Committee in February 2017)	Impact – no change Likelihood - reduced slightly
Fees and Charges fail to deliver sufficient income	Housing White Paper 'Fixing our Broken Housing Market' published February 2017 offers potential to increase Planning Fees	Impact – no change Likelihood - reduced slightly
Commercialisation	Budget overspend on Mote Park café in 2017/18 now projected to be £197K. Plans in place to move from in-house provision to an outsourced provider with effect from Autumn 2017.	Impact – no change Likelihood - increased
Funding the capital programme	Housing White Paper states that local authority affordable housing developments must incorporate a 'right to buy', which may have a negative impact on the viability of the Council's housing investment programme	Impact – no change Likelihood - increased slightly
Business Rates Pool	Projected benefit from Kent Business Rates Pool to increase from £5.1m to £7.5m in 2017/18 (county-wide)	Impact – no change Likelihood - reduced slightly

Most of the above factors have had no, or only marginal, implications for risk impact and likelihood. The only exception is commercialisation, where the performance of the Mote Park Café demonstrates an increased risk from commercialisation. Whilst mitigation measures are now being put in place, for the time being it is appropriate to increase the risk likelihood score from '2' to '3' for commercialisation and this is reflected in the risk matrix and risk register. New / developing controls have been added to the risk register and will continue to be monitored and updated. Other than this, it is not proposed to amend the risk matrix and risk register set out in Appendix A at this stage.

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### **3. AVAILABLE OPTIONS**

- 3.1 The Committee may wish to consider further risks not detailed in Appendix A or vary the impact or likelihood of any risks. This may impact the Finance Section's service planning and/or be reflected in the developing Medium Term Financial Strategy.
  - 3.2 There is no constitutional requirement for Policy and Resources Committee to consult with the Audit Governance and Standards Committee on this matter, and it is open to the Committee to make no comments or recommendations.
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### **4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 4.1 Each year the council as part of the development of the MTFS and budget carries out consultation on the priorities and spending of the council.
  - 4.2 Consultation on the budget in Autumn 2016 took the form of a short survey. Residents were asked to prioritise ten areas of spending and then to consider whether the spending for those ten areas should remain the same, be reduced or cut altogether. The survey could be accessed both as a paper document or on-line via the Council's website. It was promoted through face to face budget roadshows at a wide range of venues around the borough, in the Kent Messenger and in a range of other media. The results of the consultation were set out in reports to the Service Committees on the budget proposals.
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### **5. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 5.1 The Audit, Governance and Standards Committee plans to continue keeping the budget risk profile under review at subsequent meetings.
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## 6. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Director of Finance and Business Improvement
<b>Risk Management</b>	Matching resources to priorities in the context of the significant pressure on the Council's resources is a major strategic risk. Specific risks are set out in Appendix A.	Director of Finance and Business Improvement
<b>Financial</b>	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process.	Director of Finance and Business Improvement
<b>Staffing</b>	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Director of Finance and Business Improvement
<b>Legal</b>	The Council has a statutory obligation to set a balanced budget and development of the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Director of Finance and Business Improvement

<b>Equality Impact Needs Assessment</b>	The Council's budgeted expenditure will have a positive impact as it will enhance the lives of all members of the community through the provision of resources to core services. In addition it will affect particular groups within the community. It will achieve this through the focus of resources into areas of need as identified in the Council's strategic priorities.	Director of Finance and Business Improvement
<b>Environmental/Sustainable Development</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium term Financial Strategy.	Director of Finance and Business Improvement
<b>Community Safety</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium term Financial Strategy.	Director of Finance and Business Improvement
<b>Human Rights Act</b>	None	
<b>Procurement</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium term Financial Strategy.	Director of Finance and Business Improvement
<b>Asset Management</b>	Resources available for asset management are contained within the budget proposals.	Director of Finance and Business Improvement

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## 7. BACKGROUND PAPERS

None.