

# Audit, Governance and Standards Committee

18 September 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>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	18 September 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 Budget Risk Matrix and Risk Register be updated and reported to each meeting of the Committee, so that it continues to be fully briefed on factors likely to affect 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 2017/18 – 2012/22 and Efficiency Plan were approved by Council in September 2016. Subsequently Council approved a budget for 2017/18 at its meeting on 1<sup>st</sup> March 2017.
- 2.2 Performance so far in 2017/18 has been broadly in line with budget, although there are potential overspends in the areas of (a) temporary accommodation and (b) planning appeals.
- 2.3 The five year MTFS has been updated and will be submitted to Council for approval at its meeting on 27th September. The financial projections in the MTFS 2017/18 – 2012/22 have been updated and rolled forward, taking account of:
  - An assessment of external opportunities and threats
  - Evaluation of existing budget savings in the five year plan
  - Latest emerging information about economic developments and government policy.
- 2.4 Given the uncertainty about the future, various potential scenarios have been modelled, representing (a) favourable, (b) neutral and (c) adverse sets of circumstances. Projections have been prepared for each of the scenarios modelled and work is currently under way to prepare budget proposals that respond to the different scenarios.

2.5 The risks included in the Budget Risk Register have been reviewed in light of the above developments. A summary of the changes to the risk register are set out below. Appendix A sets out the budget risks in the form of a Risk Matrix and Risk Register.

	Risk	Factor considered	Implications for risk profile
A	Failure to contain expenditure within agreed budgets	Overall performance was within budget in 2016/17. Two areas have been identified where overspends may arise in 2017/18 but the scale of overspend is currently considered to be manageable.	Impact – no change Likelihood – no change
B	Fees and Charges fail to deliver sufficient income	There has been a delay in implementation of a Planning Fee increase (which would have generated additional income of £200,000) owing to the General Election. This will lead to the income budget being missed but budgeted expenditure has been reduced by a corresponding amount to offset this.	Impact – reduced Likelihood – no change
C	Commercialisation fails to deliver additional income	The commercialisation strategy has now been refocused around housing and regeneration. Commercial activities are performing in line with budget.	Impact – no change Likelihood – reduced
D	Planned savings are not delivered	Assessment of potential for delivering the £1.8 million of savings due in 2017/18 is positive.	Impact – no change Likelihood – no change
E	Shared Services fail to meet budget	All shared services achieved budget in 2016/17. No indications so far of adverse variances in 2017/18.	Impact – no change Likelihood – no change
F	Council holds insufficient balances	Council held usable reserves of £17.8 million as at 31 March 2017, which is considered a reasonable but not excessive level.	Impact – no change Likelihood – no change
G	Inflation rate predictions	CPI increase was 2.6% for year to May 2017. Budget projection was	Impact – no

	Risk	Factor considered	Implications for risk profile
	underlying MTFS are inaccurate	1.6%.	change Likelihood – no change
H	Adverse impact from changes in local government funding	The position for local government funding after 2019/20 remains unclear, although pilot schemes for 100% business rates retention are proceeding. The impact on MBC is difficult to quantify at this stage.	Impact – no change Likelihood –no change
I	Constraints on Council Tax increases	There are no firm indications so far of the government's stance on Council Tax increases for 2018/19.	Impact – no change Likelihood – no change
J	Funding the capital programme	Council is likely to continue being able to access borrowing at competitive rates.	Impact – no change Likelihood - no change
K	Increased complexity of government regulation	No new developments.	Impact – no change Likelihood – no change
L	Collection targets missed for Council Tax and Business Rates collection	Performance in 2017/18 is slightly below target. More resources are being put into business rates collection as it is considered there is scope for improvement in this area.	Impact – no change Likelihood – no change
M	Kent Business Rates Pool fails to generate sufficient growth to cover safety net payments	Projected benefit from Kent Business Rates Pool to increase from £5.1m to £7.5m in 2017/18 (county-wide)	Impact – no change Likelihood - no change

### **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 Public consultation on the budget last year 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 results of the consultation were set out in reports to the Service Committees on the budget proposals.
- 4.3 A Residents' Survey was undertaken during the Summer and will inform how the Council responds to the financial projections in the updated MTFS. Detailed budget proposals for next year will be subject to public consultation and review by the Service Committees.
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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**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<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	Director of Finance and

	objectives are allocated through the development of the Medium term Financial Strategy.	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.