

# Audit, Governance and Standards Committee

16 January 2017

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

No

## Budget Strategy – Risk Assessment

<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 considers the risk assessment of the Budget Strategy provided at Appendix A and makes comment or recommendations to Policy and Resources Committee for consideration on 15 February 2017.

### 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	16 January 2017
Policy and Resources Committee	15 February 2017
Council	1 March 2017

# Budget Strategy – Risk Assessment

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 As part of the annual process of updating the Medium Term Financial Strategy and setting a budget for the coming financial year, Service Committees are currently considering budget proposals for the year 2017/18 and the remainder of the five year medium term strategy planning period.
- 1.2 As the remit of the Audit Governance and Standards Committee includes consideration of risk, it is also appropriate that the budget setting process is considered by this Committee, with a specific emphasis on the risk analysis produced by the Finance Service for the Budget Strategy.

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## 2. INTRODUCTION AND BACKGROUND

2.1 A Medium Term Financial Strategy and Efficiency Plan was approved by Council in September 2016. Officers have subsequently developed detailed budget proposals for 2017/18 and the remaining four years of the medium term financial strategy. The approach has been to manage the overall risk of non-delivery of savings by adopting a blended approach, incorporating:

- efficiency savings
- income generation
- transformation and business improvement
- service reductions.

'Transformation and business improvement' can be distinguished from efficiency savings because, rather than simply seeking to carry out the same activities at lower cost, it aims to achieve the same outcomes, but in a different way. Service reductions are included within the budget proposals but remain a last resort.

2.2 The revenue budget proposals may be summarised as follows.

<b>Committee</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>Total</b>
	£m	£m	£m	£m	£m	£m
Communities, Housing & Environment	0.3	0.4	0.2	0.1	0.0	1.0
Heritage, Culture & Leisure	0.1	0.2	0.1	0.0	0.0	0.4
Policy & Resources	0.9	0.3	0.0	0.0	0.0	1.2
Strategic Planning, Sustainability & Transportation	0.2	0.2	0.1	0.1	0.0	0.6
<b>TOTAL</b>	<b>1.5</b>	<b>1.1</b>	<b>0.4</b>	<b>0.2</b>	<b>0.0</b>	<b>3.2</b>

It can be seen that cumulative savings of £3.2 million have been identified as compared with a budget gap over the same period of £4 million. However, the savings, if adopted, would allow a balanced budget to be set in 2017/18, since the budget gap of £1.5 million is covered by proposed savings of £1.5 million. Further work will be required to identify means of closing the budget gap over the five year period of the MTFS as a whole.

- 2.3 Appendix A describes the budget risks in the form of a risk register. This presentation is easy to grasp and helps to ensure that risks are considered in a comprehensive way. It should however be recognised that risks are not usually discrete. There are interrelationships between the risks, such that (for example) inaccurate inflation projections could impact the overall risk of failing to deliver a balanced budget.
  - 2.4 Budget risks were last considered by the Audit Governance and Standards Committee in January 2015. Many of the risks identified then remain as risks today. The detailed description of the risks and the risk assessments have been updated as appropriate.
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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 will impact the Finance Section's service planning for 2017/18 and will be reported to Policy and Resources Committee for consideration along with the Medium Term Financial Strategy on 15 February 2017.
  - 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 Strategic Plan and MTFS 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.
- 4.3 The results of the consultation are set out in reports to the Service Committees on the budget proposals. Members therefore have the opportunity to take these findings into account when considering the budget proposals.

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## 5. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 5.1 The next step will be the consideration of any comments that the Audit, Governance and Standards Committee wishes to make at the meeting of Policy and Resources Committee on 15 February 2017, prior to budget proposals being submitted for consideration by Full Council on 1 March 2017.
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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	Director of

	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.	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.