

Audit, Governance and Standards Committee

26 June 2017

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

No

Budget Strategy – Risk Assessment Update

Final Decision-Maker	Council
Lead Director	Director of Finance and Business Improvement
Lead Officer and Report Author	Director of Finance and Business Improvement
Classification	Public
Wards affected	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

Meeting	Date
Audit, Governance and Standards Committee	26 June 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 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 1st March 2017.
- 2.3 Since the last meeting of the Committee in March 2017, the General Election and its outcome have created greater uncertainty at a national level. Locally, the final outturn for the Council's financial year 2016/17 is now known, and an assessment of the risks of failing to deliver against the 2017/18 budget has been carried out.
- 2.4 The risks included in the Budget Risk Register have been reviewed in light of these 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. Risk of overspending in 2017/18 has been assessed but is currently considered to be manageable.	Impact – no change Likelihood – reduced slightly
B	Fees and Charges fail to deliver sufficient income	Delay in implementation of Planning Fee increase (which would have generated additional income of £200,000) owing to the General Election will lead to budget being missed.	Impact – no change Likelihood – increased slightly
C	Commercialisation fails to deliver additional income	A recovery strategy has been implemented following the failure of Mote Park Café to deliver income targets in 2016/17. The commercialisation strategy has now been refocused around housing and regeneration.	Impact – no change Likelihood – no change
D	Planned savings are not delivered	Initial assessment of potential for delivering the £1.8 million of savings due in 2017/18 is positive.	Impact – no change Likelihood – reduced slightly
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 underlying MTFS are inaccurate	CPI increase was 2.9% for year to May 2017. Budget projection was 1.6%.	Impact – no change Likelihood – slightly increased
H	Adverse impact from changes in local government funding	The expected introduction of 100% business rates retention in 2019/20 may be delayed. Impact on MBC difficult to quantify at this	Impact – no change Likelihood – increased

	Risk	Factor considered	Implications for risk profile
		stage.	slightly
I	Constraints on Council Tax increases	No indications so far of new government's stance on Council Tax increases.	Impact – no change Likelihood – no change
J	Funding the capital programme	Council is likely to continue being able to access borrowing at competitive rates. Careful consideration will be given as to whether any borrowing is sustainable given potential for interest rates to increase.	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, but it is still relatively early in the year.	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

Note: Some of the risk descriptions have been amended since March 2017 for greater clarity.

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.

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.
- 4.3 For the 2018/19 budget, it is proposed to use the Residents' Survey, to be undertaken in Summer 2017, to consult residents on budget priorities.

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.

6. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	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
Risk Management	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
Financial	The budget strategy and the MTFS impact upon	Director of Finance and

	all activities of the Council. The future availability of resources to address specific issues is planned through this process.	Business Improvement
Staffing	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
Legal	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
Equality Impact Needs Assessment	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
Environmental/Sustainable Development	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
Community Safety	The resources to achieve the Council's objectives are allocated through the development of the	Director of Finance and Business Improvement

	Medium term Financial Strategy.	
Human Rights Act	None	
Procurement	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
Asset Management	Resources available for asset management are contained within the budget proposals.	Director of Finance and Business Improvement

7. BACKGROUND PAPERS

None.